HARVARD ManageMentor

Strategy Execution

About this Topic: Strategy Execution

Topic Mentor

C. Davis Fogg

Dave Fogg is a keynote speaker, executive coach, adviser, and strategy consultant who specializes in developing and implementing corporate strategic plans. He is a former General Manager of Johnston & Murphy and president of Bausch & Lomb's Consumer Products Divisions. He has taught strategic planning, strategic implementation, and general management courses at Vanderbilt, Columbia, Emory, MIT, Penn State, and the University of Wisconsin. He is the author of three books: *Diagnostic Marketing*, *Team-Based Strategic Planning*, and *Implementing Your Strategic Plan*. He has also published a series of strategic manuals. *Leading Your Organization Through Strategic and Departmental Planning* provides step-by-step instructions on how to conduct and facilitate the entire planning process. He is currently working on a new book titled *Lewis and Clark & Co.*: *The Business of Exploration*.

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What Would You Do?

What would you do?

Jake recently became a manager of an Information Technology (IT) group. During the strategic planning process, senior management has identified its cost structure as a weakness that needs to be addressed for the company to remain competitive. Senior management has established a corresponding strategic objective: "Reduce costs 5% annually throughout the organization for the next three years."

As part of the strategic planning process, senior management has asked units to find ways to support this top priority issue and propose other priority issues.

What would you do?

The first step is for Jake and his group to analyze external and internal information—for example, market segmentation (external) and core processes (internal). He and his team should then conduct a SWOT analysis to evaluate his group's strengths, weaknesses, opportunities, and threats. From these analyses, priority issues will emerge—in addition to the one that has been already delegated by senior management. Jake and his group will narrow the list of priority issues down to three or four and submit them to senior management for review. Once approved, Jake and his team will need to create high-level action plans that support each of the priority issues.

In this topic, you'll learn how to develop strategic priority issues and implement action plans for strategic initiatives.

Tough objectives require more than smart thinking—they require effective follow-through. How can you make sure that your implementation is tailored for success?

Topic Objectives

This topic helps you:

- Understand what strategy is, the elements of a strategic plan, and the strategic planning process
- Develop action plans for strategic initiatives that support your company's strategy
- Execute your action plans
- Ensure that your action plans remain focused and aligned with the corporate strategy
- Evaluate and reward excellence

What is strategy?

Everyone seems to recognize how important strategy is to a company. Yet there is considerable debate on just what strategy is and how to create it. And while much has been written on strategy creation, far less has been written on implementing strategy.

This topic views strategy as a process that spurs major change so that an organization can achieve outstanding results. Strategy is about understanding what you do, looking out over the long-term future to determine what you want to become, and—most importantly—focusing on how you plan to get there.

> For example, consider a company that makes video games. Its primary business is to entertain people. As the company looks into the future, it might determine that one of its long-term priorities is to have its brand name known throughout the world. The company's strategy would therefore focus on how the organization plans to grow its business and brand, and how to enter global markets over the coming years.

Strategy can be viewed as a blend of art and science. It is an art in that it requires creative thought, an ability to identify alternative future states, and strong communication skills to inspire and engage those who will implement the strategy. It is a science in that it requires managers to collect and analyze information that they can then turn into action.

Why is strategy important?

> “Every moment spent planning saves three or four in execution.”
> –Crawford Greenwalt, former president, E. I. du Pont de Nemours

It's not enough for a company to develop a successful product or service. Without a strategy, an organization is rudderless—and vulnerable to business changes as well as to competitive threats. A sound strategy, skillfully carried out, fosters significant structural shifts in the way a company does business that distinguish it from its competitors. By providing a guidepost for a company's ongoing evolution, strategy provides the necessary information and direction for managers to define their work—and help their organization remain competitive.

Key Idea: How is strategy developed and who is involved?

Key Idea

Broadly speaking, strategy is achieved through two fundamental processes: planning and implementation. Many companies involve both senior management and units in the strategic planning processes. Units are involved because they house tremendous knowledge about an organization and can make informed recommendations about what a company should be doing and where it should be going. Furthermore, when units are included in the planning process, they are more likely to support and implement the plans that are created.

In short, units are the implementation centers of an organization. They have the leadership, people, skills, and money needed for effective execution. They have the ability to implement a plan and they wield the power to undermine a plan.

Organizations that fail to include units in the strategic planning process typically receive results inferior to those that do. By undertaking the planning process together, senior management and

units ensure that a company's strategies—corporate and unit—are tightly aligned and that successful implementation can follow.

Strategy provides the forward thrust and focus for your business. But who should be included in making strategy, and how should they do it?

Topic focus

This topic looks briefly at how companies undertake the strategic planning process and then in more detail at how strategy is implemented within an organization. The topic approaches strategy through the eyes of a manager or an individual within a unit—not from the perspective of senior management.

Note on terms

Each company undertakes strategic planning and implementation in its own unique way. As a result, the way the processes unfold and the terms associated with these processes vary from company to company. This topic examines the key elements of the strategic planning and implementation processes and defines terms broadly to reach as many people as possible.

Leadership Insight: Performance objectives

One CEO was particularly effective with an innovative idea. He made it a point any time he visited a regional office to walk the halls and stop randomly at one of the locations where an employee was working.

Employee would look up, see the CEO over his or her shoulder and stop work, of course, say hello. And the CEO would greet them and said, "Do you mind if I ask you a few questions?" They say, "Oh, go right ahead, " at which point the CEO reached into his jacket pocket, opened up a piece of paper.

The piece of paper was the strategy map for the company, and he'd place the paper in front of the employee and say, "Do you know what this is?"

Sometimes the employee would say, "No, I don't know what that is." Well, that was not a good answer, but it was not the employee's problem. It was the employee's supervisor's problem, because it was the supervisor who is supposed to get the message out to the employees.

Some of the employees said, "Yes, that's the company strategy map and scorecard," then he said, "Oh, that's terrific. Could you explain it to me?" Now the employee had to explain the strategy to the CEO of the company.
A few failed in that, but some got through that and then the CEO said, "OK. One more question." And he said, "I know I interrupted you, and could you explain what you were doing just before I started to talk to you, how that related to one or more of the objectives that's on this strategy map?"

He said the first several times he did this in the various offices he was disappointed in the answers.

He said, "I also noticed that after I left that office there was a flurry of e-mails, as all the employees wrote to their friends and colleagues and all the other offices and said, ‘If the CEO shows up, you'd better be prepared to answer these three questions: What is a strategy map? What is the strategy? Can you explain it to me? And how have I done my job differently as a result of knowing the objectives on that strategy map?'"

And it really emphasized the critical role for communication, and it's a novel use of information. Normally we think about accounting information or performance information as something to monitor and evaluate, but its true power is the ability to communicate strategic objectives to employees and align their day-to-day activities to the high-level objectives.

Another company did something also very innovative. They gave every employee a pen. They're all, "Gee, that's a very nice pen. Thank you very much, but what's the connection?" Well, in addition to being a nice pen, if you opened it up, inside you could pull out the strategy of the company.

So the strategy map was right there and close to their heart. They have something they could always carry around with them. So it's possible to have some fun and still be very effective in communicating strategic objectives and performance measures to all the employees in your company.

Communicate strategic objectives to employees and align their day-to-day activities to the high-level objectives.

Robert S. Kaplan
Professor, Harvard Business School

Robert S. Kaplan is Baker Foundation Professor at the Harvard Business School and Chairman, Professional Practice, at Palladium Group Inc. Before joining the HBS faculty in 1984, he was the Dean of the business school at Carnegie-Mellon University.

His research, executive education teaching, and consulting focus on linking cost and performance management systems to strategy implementation and operational excellence. He is a co-developer of both activity-based costing and the Balanced Scorecard.

He has authored or coauthored 14 books and approximately 150 papers, including 20 featured in Harvard Business Review. Recent books include "The Execution Premium: Linking Strategy to Operations for Competitive Advantage," the fifth Balanced Scorecard book coauthored with David Norton, and "Time-Driven Activity-Based Costing" with Steve Anderson.

In 2006, he was elected to the Accounting Hall of Fame. He received his Bachelor of Science and Master of Science in electrical engineering from MIT, and a doctorate in operations research from Cornell University.

Elements

Before discussing the strategic planning process, it's helpful to understand the elements of a strategic plan—the outgrowth of the planning process.

While strategic plans vary, they generally contain the following components:

- Direction statement
- Strategic objectives
- Priority issues
- Action plans

Organizations may use different terms for these components and may differ in how they describe them. However, most organizations provide an array of information about their strategy and, in broad terms, explain how they plan to achieve it.

Direction statement

> "...One does not plan and then try to make circumstances fit those plans. One tries to make plans fit the circumstances."
> –George S. Patton, Jr., former U.S. General

A direction statement acts as a guide for an institution's actions and thinking. While this statement can be captured in different formats—ranging from a succinct one- or two-page document to a variety of informal communications—it usually provides the following information about an organization:

- **Mission**: the organization's purpose
- **Vision**: the organization's deeply desired future
- **Business definition**: the firm's existing and envisioned products, services, geographic distribution, technology, customers, and markets
- **Competitive advantages**: customer needs that the organization plans to meet better than competitors do
- **Core competencies**: the tangible (for example, manufacturing plants) and intangible (such as R&D prowess) assets the company will leverage to gain competitive advantage
- **Values**: the driving beliefs that define a company's culture (for instance, innovation) and that support the organization's future competitive advantage

While a direction statement is typically drafted at the corporate level, units may also want to take the time to create their own unit direction statements.

Leadership Insight: Core purpose

You know if you pick up most books on strategy today, what you will find is it is about beating the competition. That's what strategy is. And you think about and you say, do you have a competitive advantage? You think about that relative to the competition. It is useful to think about the competition, but I think it is putting the means before the end.

What I mean by that is the most important thing at the core of strategy is economic purpose. And what that means is serving a customer — one customer or a set of customers — extraordinarily well. It's having a difference that matters. That's your core economic purpose.

You've got to start with what you are bringing to the customer and how does that matter. That's the beginning and from there, you start thinking about what that means relative to the competition. But strategy really is an idea that's built on a core economic purpose.

A colleague of mine likes to talk about "the world with you versus the world without you." If your business closed its doors today, who would care and why? That's your purpose. And if you start with your purpose, you can build a whole system of advantage around that core purpose.

Imagine a wheel. At the center of that wheel is your core economic purpose. Around it are all of the activities that bring that purpose to life. Strategy is a system of advantage that makes a difference to a set of customers.

Along the way, you beat the competition. But if you start out thinking about beating the competition, you start looking a lot like the competition. It's really much deeper to think about what is it that you do that matters to a group of customers and build your advantage around that.

The heart of strategy is understanding your organization's economic purpose – how you will serve your customers well.

Cynthia A. Montgomery
Professor, Harvard Business School

Cynthia A. Montgomery is the Timken Professor of Business Administration and immediate past chair of the Strategy Unit at Harvard Business School, where she has been on the faculty for 20 years.

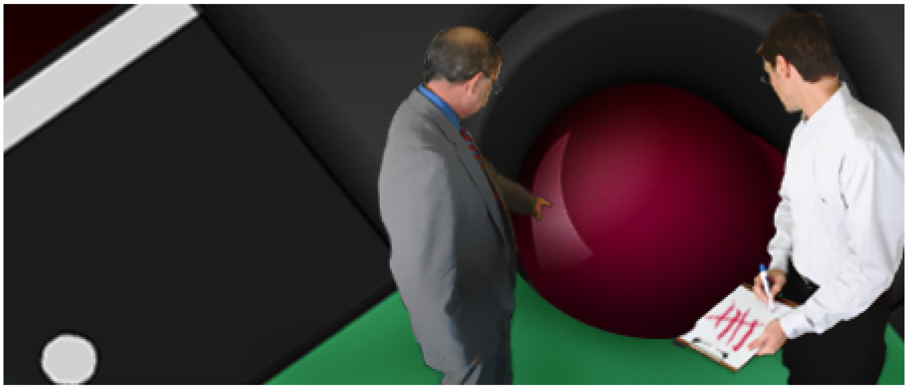
Cynthia's research centers on strategy and corporate governance. Of particular interest are issues relating to boards of directors, the creation of value across multiple lines of business, and the role leaders play in developing and implementing strategy.

Her work has appeared in top-tier managerial and academic outlets, including Harvard Business Review, the Financial Times, and American Economic Review. She is the coauthor of "Corporate Strategy: Resources and the Scope of the Firm" with David J. Collis and the editor of "Resource-Based and Evolutionary Theories of the Firm."

Prior to her time at Harvard, Cynthia taught at the Graduate School of Business at the University of Michigan and at Northwestern's Kellogg School of Management, where she was recognized with its Outstanding Teacher of the Year award.

At Harvard, she received the Greenhill Award for her contributions to the School's pedagogical mission. Her dissertation work on corporate-level strategy won the General Electric Award for Outstanding Research in Strategic Management.

Strategic objectives



Strategic objectives allow a company to measure how it is performing in key result areas—those areas where the company must achieve superior results to achieve its long-term strategy.

Key result areas often come directly from a company's direction statement.

> For example, if a company's vision is global expansion, then it will want to measure success in that area. Areas for which a company might set strategic objectives are market position, customer loyalty, quality, service, innovation, and human capital.

Management must decide how it will measure success in the key result areas and then set objectives for those measures.

> For example, if customer loyalty is a key result area, it might be measured by a customer satisfaction index. The corresponding objective might be: "Raise the customer satisfaction index from 89 to 96 in the next three years."

Priority issues

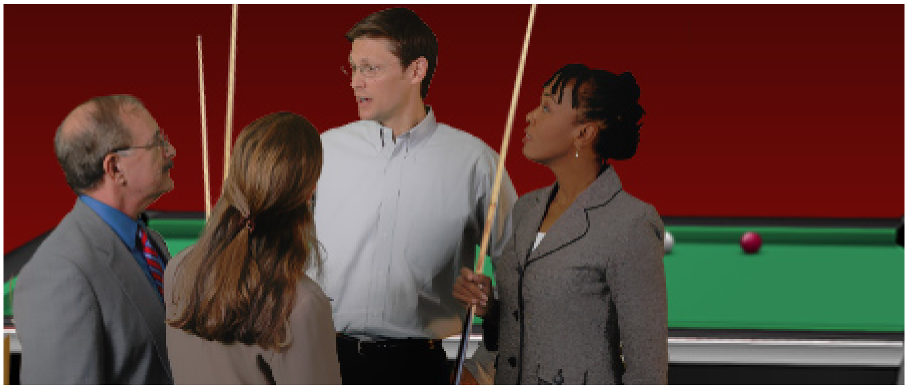
Priority issues are a company's primary instruments of action. These are the key issues that surface during the strategic planning process—for example, a weakness to be addressed or an opportunity to be seized.

Priority issues typically relate to competitive concerns—the products and services a company needs to create to add value for its customers, the internal process changes needed to support a company's strategy, and the skills and resources needed to accomplish value creation and process change. Common priority issues are costs, service, new markets and products, geographic expansion, acquisitions, divestitures, organizational structure, core competencies and processes, new technologies, training and development, and information systems.

The successful implementation of a company's strategy hinges on turning priority issues into high-level action plans and delegating them to units or cross-functional teams.

> For example, a company might determine that market share is a priority issue and set an objective of increasing it by ten market share points in the next three years. A Marketing unit might be asked to develop action plans to determine how to "acquire competitors that will add at least five market share points in niches in which the company is now weak."

Action plans



Priority issues are translated into high-level action plans for strategic initiatives. They briefly describe the specific steps the company needs to take to accomplish its priority issues—and thereby achieve its objectives. A single priority issue might spawn two or three action plans.

> For example, if cost is a priority issue, it may yield three different action plans: a plan for overhead cost, one for operating cost, and another for selling and marketing costs.

A high-level action plan for a strategic initiative typically includes:

- A description of the priority issue and why it's important
- Objectives expressed in specific metrics and time frames
- Key steps involved in achieving the priority issue
- Resources required
- Interlocking requirements involving other units
- Anticipated cost and gain

An organization's strategic plan is the result of a strategic planning process.

Process overview

The planning process is the primary vehicle for achieving strategic alignment across an organization and ensuring the effective implementation of a company's strategy. The result of the planning process is the creation of a strategic plan.

The strategic planning process typically begins with extensive research and analysis through which senior management narrows in on the top three or four priority issues that the company needs to tackle to be successful in the long-term. For each priority issue, units and teams are asked to create high-level action plans. Once these action plans are developed, the company's high-level strategic objectives and direction statement are further clarified.

An overview of a typical strategic planning process looks like this:

While this diagram may seem linear and straightforward, the strategic planning process is anything but. Strategic planning is an iterative process that takes time and requires a series of back-and-forth communications between senior management and units, whereby all parties examine, discuss, and refine the plan. As a result, various planning streams often happen in parallel.

Know your starting point

> I have always found that plans are useless, but planning is indispensable.
> –Dwight D. Eisenhower, former U.S. President

How does the strategic planning process begin for a unit? It varies from company to company. Often a unit will begin with certain strategic objectives and priority issues that have already been determined and delegated by senior management.

> For example, senior management might have a priority issue that focuses on global markets and delegate this priority issue to appropriate units. A unit that receives this priority issue will then factor it into its planning.

In other cases, a unit will embark on the planning process without any predetermined priority issues.

Analyze external and internal factors

A unit begins its planning process with research and analysis. It analyzes factors such as trends and forces—both external and internal to the organization—and assesses their future impact on the unit. Trends typically describe a pattern of behavior and occur over long periods of time, while forces describe abrupt or disruptive changes that tend to occur more quickly.

Considering both external and internal factors is essential—because they clarify the business world in which the unit operates, enabling the unit to better envision its desired future. Analyzing external factors surfaces potential opportunities and threats, while analyzing internal factors surfaces strengths and weaknesses.

External trends and forces include:

- **Market**: developments in the marketplace in areas such as segmentation, customer needs, competitive advantage
- **Technological**: electronic commerce and the value chain
- **Legislative**: new laws, legislative control, regulations, government intervention
- **Partnerships**: partnerships with outside firms, vendors, and business associates
- **Cultural**: varying work force ethics for different people

Of primary importance is the analysis of market segmentation and customer needs. For this analysis, a unit researches market segments—groups of customers within a broad market whose needs and wants are similar—and asks questions such as: How are markets segmented now—and how might they be segmented in the long-term future? What segments should the company target? What gaps must be filled to beat the competition?

Internal trends and forces include:

- **Core competencies**: status of assets, expertise, and skills needed to yield superior performance
- **Core processes**: status of processes needed to deliver competitive advantage
- **Financial measures**: spending history, baseline forecasts, portfolio analysis, return on assets
- **Key result areas**: history of performance in areas such as innovation, customer satisfaction, employee retention, operating results
- **Management**: setting accountability, delegating decision making, use of teams, rewarding performance
- **Organizational culture**: the values, attitudes, and shared beliefs of the employees

Key Idea: Perform SWOT analyses

Key Idea

Analyzing external and internal factors informs the next step in the process, a SWOT analysis—identifying **s**trengths, **w**eaknesses, **o**pportunities, and **t**hreats.

- **Strengths** are capabilities that enable your company or unit to perform well and need to be leveraged.
- **Weaknesses** are characteristics that prohibit your company or unit from performing well and need to be addressed.
- **Opportunities** are trends, forces, events, and ideas that your company or unit can capitalize on.
- **Threats** are possible events or forces, outside of your control, that your company or unit needs to plan for or decide how to mitigate.

A unit may conduct two SWOT analyses—one focused on the company and another on the unit. The goal is to help identify opportunities that a company or unit needs to take advantage of in order to reach its mission or vision in five to ten years. SWOT analyses are also important because they identify possible threats that may prevent a company or unit from being successful. Through brainstorming and intensive debate, a number of priority issues begin to emerge.

How can you assess your unit's strengths, weaknesses, opportunities, and threats to help your team plan for the future?

Draft priority issues

After analyzing trends and forces and conducting SWOT analyses, a unit will have gathered a wealth of information about the company and itself. The next step is to draft priority issues—broad areas in which the unit thinks the company and unit should focus its efforts for the long term.

In most cases, priority issues emerge directly from the SWOT analyses. A priority issue is a strength to be bolstered, a critical weakness to be fixed, an opportunity to be capitalized on, or a threat to be mitigated. Priority issues are evaluated and a few—those that have the most positive impact on the long-term direction of the company or unit—are selected.

> For example, after conducting a SWOT analysis for the company, a unit may identify an opportunity to expand its products into developing countries and thus draft a priority issue on entering new markets. Or, after conducting a SWOT analysis for the unit, a unit may learn that it has a weakness in innovation and might therefore make innovation a unit priority to be addressed going forward.

After lengthy discussion and debate, a unit identifies its top three or four priority issues and presents them to senior management for review. Senior management reviews the priority issues that have been submitted by all the units in addition to the priority issues that it has generated itself. Reviewing the

priority issues is a process that takes time and requires extensive back-and-forth between senior management and units.

Using specific criteria that are defined up front, senior management eventually narrow in on and select the three or four key strategic priority issues that the company will pursue and delegates those priority issues to the appropriate units or to cross-functional teams for implementation.

Develop high-level action plans

Once the priority issues have been approved and delegated to the appropriate units for implementation, the units or teams then create high-level action plans that briefly detail the objectives, tasks, and requirements needed to carry out a strategic initiative. Each priority issue typically generates two to three action plans.

> For example, if customer retention is a priority issue, it may lead to two action plans for improving customer service and developing a customer loyalty program.

Once a unit has finalized its action plans, they are sent to senior management for review and discussion. If revisions are necessary, senior management will ask units to refine their action plans. At a resource allocation meeting, final action plans are approved, any cross-functional teams are designated, and senior management allocates resources required to carry out the plans. Senior management's allocation of resources is critical in aligning corporate strategy with unit action.

Leadership Insight: Adapt your strategy

I was responsible for managing the Cumen business line in our Dallas operation. I was tasked with carrying out a strategy that had already been decided before I was there. The whole idea was to grow a market. It was a new business for semiconductor industries, using one of our product lines that was manufactured here in the U.S. When we started the business, after one or two months, I realized that the market was changing fast. Our product was no longer competitive, and we had the semiconductor industry going into a severe downturn.

We tried hard for a few months and very quickly came to the decision that we could not meet the target that was given us, with the product that we had. Our salespeople were demotivated, our manufacturing people didn't know they had inventory buildup. So we went back to the drawing board and saw what were the competencies that we had, knowing the financial objective we had to achieve.

So we looked at it, we found some products that the customers wanted and we quickly tried to discuss with the customers whether there is a specific need for those during those downturns. Those were related to chemical equipment, which we found out it worked against the cycle.

We organized our manufacturing and sales, put together a strategic execution plan to go quickly and win the market share and be faster, and not focusing on the thing that was in the strategy handbook, that [advises you] to go ahead and do it.

We went ahead and within six months, we achieved our target. Within a year, we had 300 percent more than the target than was set up to us.

So looking back, the thing I think that is most striking for me is that in a strategy you will always be given a very nice road map, very nice blue book and handbook, but don't take it as a bible. Because, when you are in the field, it will change. Business will change. Your environment will change. Your people's perception of what the product is will change.

What is very important is to stick with the guideline that is set on the strategy map. Be brave enough to go back and tell your management that, "Look, the market changed, so we have to adapt to it. We are not setting your financial goals. We'll get there, but our mechanism will be different." This is the lesson that I had, and I tried to follow that going forward, for many of my businesses.

Stick to the broad strategic guidelines but adapt your tactics if the market shifts.

Imtiaz Mahtab
Group Director, Efficiency Program, Air Liquide

Imtiaz Mahtab is the Group Director, Efficiency Program at Air Liquide based in Paris, France. With over 40,000 employees in 17 countries, Air Liquide is the world leader in industrial and medical gases and related services. The Group offers innovative solutions based on constantly enhanced technologies and produces air gases including oxygen, nitrogen, and hydrogen.

Imtiaz joined Air Liquide in 1995 and has over 15 years of global leadership experience in developing, turning around, and managing multiple businesses, as well as leading high-impact group efficiency programs.

He has expertise in a variety of fields including industrial gas, semiconductor, energy, engineering and construction, general management, business development and restructuring management.

Imtiaz holds a bachelor's degree in chemical engineering from the University of Texas at Austin and an Executive MBA from Rutgers University. He also attended the General Management Program at Harvard Business School.

Finalize the strategic plan

The final step in the planning process is to finalize the strategic plan. Senior management typically writes a corporate direction statement (if one doesn't already exist) and clarifies the high-level objectives that summarize the organization's overarching initiatives. At this point, units might also choose to draft a direction statement and high-level objectives to summarize their unit efforts over the long term. During the planning process, units may have identified priority issues and tasks at the unit level that will strategically and structurally move the unit toward fulfilling its own mission and vision.

Activity: Create a successful strategic plan

You're developing a strategic plan for your group. Check your understanding of the five steps of the process.

Your hard work has finally been rewarded: you've been promoted to manager of a small unit in your company. But with your new position comes new responsibilities—including creating a long-term strategic plan for your unit. What would you do first to begin developing your plan?

- Determine the cross-functional collaborations your employees will need to participate in to generate the business results desired by your company

  Not the best choice. Though identifying needed cross-functional collaborations is valuable, it is not a step in the strategic planning process.

- Assess matters important to your unit, such as developments in technology, new laws, your group's culture, and the business processes used in the unit

  Correct choice. As the first step in developing your unit's strategic plan, you evaluate external trends and forces—such as markets, technology, laws, business partnerships, and labor developments. You also evaluate internal trends and forces—including your unit's core competencies, business processes, financial measures, business results, management practices, and culture.

- Take stock of your unit's strengths and weaknesses, new opportunities that may be important, and potential threats that your unit may need to plan for or mitigate

  Not the best choice. While taking stock of strengths, weaknesses, opportunities, and threats (SWOT analysis) is one step in the strategic-planning process, it's not what you would do first to begin developing your plan.

You've evaluated external and internal factors important to your unit and now want to conduct a SWOT analysis as you craft your strategic plan. Which of the following statements is true about a SWOT analysis?

- A SWOT analysis focuses specifically on internal developments important to your unit's ability to generate desired business results.

  Not the best choice. A SWOT analysis actually covers both internal and external trends and forces important to your unit.

- You and your team should avoid using brainstorming to conduct a SWOT analysis.

  Not the best choice. Actually, brainstorming and intense debate are useful techniques for conducting an effective SWOT analysis.

- Some units conduct two SWOT analyses—one focused on the company and another on the unit.

  Correct choice. Conducting two SWOT analyses in this way can help you gain a broader perspective on how your unit can help the company leverage strengths, address weaknesses, capitalize on opportunities, and mitigate threats.

Once you complete your SWOT analysis, you move to the next step in the strategic-planning process. What do you do?

- Generate several action plans for mitigating the most serious threats facing your unit

  Not the best choice. This is not the next step in the strategy-planning process.

- List one priority issue for every strength, weakness, opportunity, and threat you identified during your SWOT analysis

  Not the best choice. Listing one priority issue for every strength, weakness, opportunity, and threat would generate too many items to handle effectively. Instead, you should identify only the two or three priority issues that, if addressed, would have the *most* positive impact on your unit's long-term direction.

- Identify broad areas where your unit needs to focus its efforts over the long term

  Correct choice. These broad areas are called priority issues, and in most cases they emerge directly from your SWOT analysis. For example, a priority issue might be a crucial opportunity to leverage or an important weakness that needs fixing.

You've identified your unit's priority issues and now want to move on to the next step in the strategic-planning process: high-level action planning. How would you handle this step?

- Briefly detail the objectives, tasks, and resources needed to carry out strategic initiatives related to your priority issues

  Correct choice. By detailing these matters, you help senior management evaluate your action plans, suggest needed revisions, designate cross-functional teams, and allocate resources required to carry out the plans.

- Submit your list of priority issues to senior management for review

  Not the best choice. Submitting your priority issues to senior management is not part of high-level action planning.

- Generate one action plan for every priority issue you defined

  Not the best choice. Each priority issue typically generates two to three action plans, not one.

You're ready to move on to the final step in the strategic-planning process. Which of the following may happen during this step?

- You clarify high-level objectives that summarize overarching initiatives in your company.

  Not the best choice. Senior management, not unit leaders, clarify these high-level objectives.

- You draft a direction statement for your unit.

  Correct choice. By drafting a direction statement, you signal to upper management how your unit plans to invest its time and resources over the long term.

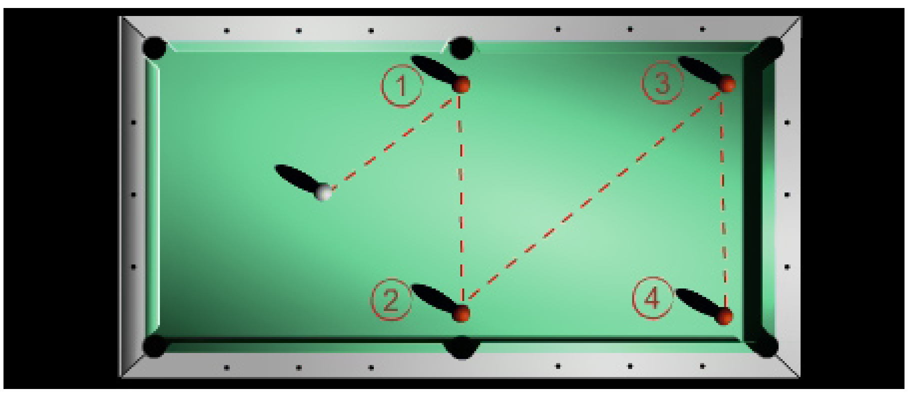
◯ Senior management identifies tasks at the unit level that will help each unit realize its vision.

Not the best choice. Unit leaders, not senior management, typically identifies tasks that will help their units fulfill their own mission and vision.

Update the strategic plan

Once a strategic plan is in place, the plan will be reviewed, assessed, and adjusted on an ongoing basis. The key priority issues addressed in a strategic plan grow out of a careful examination of external and internal factors. If these factors remain constant, the plan will likely need only minor adjustments. However, if the factors change dramatically, then the plan will need to be reevaluated and will likely need major adjustments.

The high-level plan



Successful execution of strategy hinges on turning priority issues into action plans for strategic initiatives *and* then implementing them at the unit level. It's at this point where the strategic planning and implementation processes overlap.

An action plan for a strategic initiative contains the long-term objectives and the broad steps required to carry out that initiative. Such a high-level action plan will spawn many, more detailed action plans. A unit's annual planning process will likely involve integrating the action plans that support strategic initiatives into the unit's annual goals.

Key Idea: Components

Key Idea

A strategic initiative action plan typically contains the following information:

- **Priority issue**: a description of the broad area that the unit or team plans to focus on and why it's important

- **Objectives and metrics**: the intermediate- and long-term objectives (one, two, and three years) for the strategic initiative. Objectives allow your unit to measure how it's performing. In order to determine objectives, you must determine what metrics you will use to measure success.

  For example, if your unit has a priority issue of "new markets," it might have an objective and corresponding metric: "Increase market penetration by 10% annually for the next five years in Latin American countries."

- **Steps**: the "who," "what," and "when" involved in carrying out the initiative. The steps outline the four to five high-level tasks that need to be completed and typically contain short-term objectives, measured in quarters or months. Eventually, more detailed action plans will be created for each of the individual steps and are owned by the people executing them.
- **Resources**: the required resources—people, money, technologies, etc.—for carrying out the initiative
- **Interlocks**: the required cross-functional collaborations needed to achieve the initiative
- **Impact estimate**: the anticipated cost and revenue potential of the project

Strong action plans are critical to implementing strategy. What are the elements that make up an action plan?

Sample high-level plan

Here's what a simplified high-level action plan for a manufacturing unit of an electronics company might look like:

- **Unit**: Manufacturing
- **Priority issue**: Long-range capacity plan
  - Description: Design and build new facilities that will increase manufacturing's ability to produce higher unit volume at lower cost.
  - Strategic Importance: Our current capacity will not allow us to meet market demand or achieve our strategic objective of increasing market share.
- **Objectives and metrics**: Develop long-range manufacturing facilities that will: meet forecast demand from 2010-2017; accommodate testing and manufacture of new products; and achieve dramatic improvement in quality, cost, and customer service.
  - Year 1: Complete design phase and begin construction by year-end
  - Year 2: Complete construction and start-up production by year-end
  - Year 3: Achieve initial running rate of 177 million units per year at a cost of $.325 per unit

- **Steps**: (simplified for purposes of illustration)

Year 1		
What	Who	When

Establish design specifications	Manufacturing team; Engineering leads	January 2010
Approve specs	Senior management	February 2010
Flow-chart and system design; costing	Manufacturing team; Engineering and Finance lead	June 2010
Detailed drawings for bid purposes; costing	Manufacturing team; Engineering and Finance lead	August 2010
Approval	Senior management	August 2010
Bids	Purchasing and construction	October 2010
Construction starts	Construction team from Manufacturing and Facilities takes over	November 2010

- **Resources**: Need to hire one full-time construction manager, two plant managers from groundbreaking on, and three assistants to support these managers.
- **Interlocks**: (simplified for purposes of illustration)

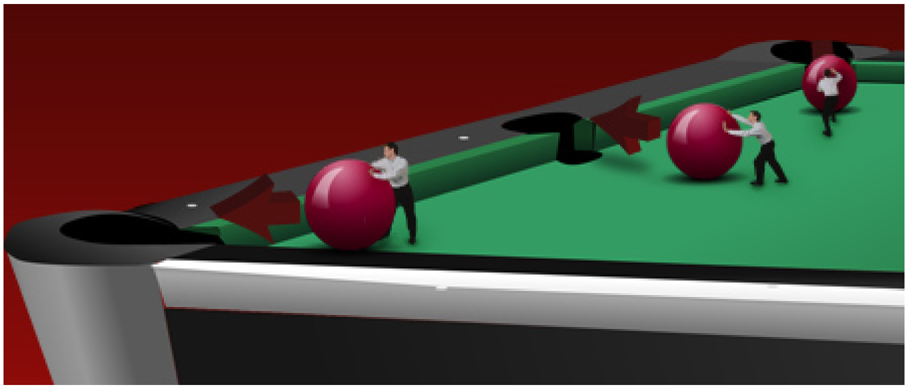
Manufacturing unit works with	To	When

Construction unit	Manage entire construction process	Start January 1, 2010
Legal	Handle all licenses, liability assessment, and insurance	Start March 1, 2010
Customers	Form customer service committee to design order-entry shipment systems	Start May 1, 2010

- **Impact estimate:**

Cost:	Expense capital = $125 million Capital = $125 million Equipment = $250 million Total investment = $500 million			
Revenue: (new plant)		Yr 1	Yr 3	Yr 5
	Price/unit	$.425	$.400	$.350
	Cost/unit	$.325	$.270	$.180
	Units	177M	525M	700M
	Revenue	$75M	$210M	$500M

Coordinate multiple objectives



Your company identifies overarching long-term strategic objectives. Your unit may have determined some strategic objectives of its own. Further, an action plan for a strategic initiative typically has longer-term objectives (for example, for Years 1, 2, and 3) with shorter-term objectives contained within the action plan steps.

> For example, a company might have a mission to become known as number one in customer service in its industry—with a strategic objective of raising their customer service index by eight points over the next two years. Senior management might delegate this strategic objective to Customer Service and also declare that "service" is the entire company's top priority issue. During the strategic planning process, Marketing might then come up with a unit priority issue of customer loyalty, while Sales focuses on customer retention as a unit priority. The action plans of these different initiatives might have a common objective of completing a new customer database by the end of year 1. The action plan for the Sales customer retention initiative might have another objective of increasing customer retention by 20% by the end of year 3. Further, as a result of the planning process, the company might update its corporate strategy to include the area of customer retention.

In effect, the company, units, and strategic initiatives have a number of cascading and related objectives. How do you effectively define objectives and measure performance?

Leadership Insight: Think ahead

So, the biggest challenge from a strategic thinking point of view for me throughout my career has been, "How do you balance the need to hit a short-term objective versus thinking about where do we need to be in two to three years down the line?"

And, when I look at a lot of our teams working in sales and marketing and finance, they are all working really hard. Nobody is not working hard. Everybody wants to make sure they hit their goal, but if sometimes people were to stand back and look at where we need to be in two years, three years time, the decisions they take might be slightly different.

I will give an example of when you are choosing a vendor, for example. If you are choosing a vendor who is going to work with you from a sales and marketing perspective to execute campaigns, whether it be a direct marketing campaign, whether it be your campaign, ask yourself the question, "Is that vendor going to help me do what I need to do in two or three years' time if I'm successful at doing it now within the country we are operating in right now?"

And if the answer is a little bit fuzzy, you need to reappraise that situation. You need to go back and say, "Is there another vendor who, with a little bit more work, can execute what we need to

do now — today — and rapidly extend that to other countries?" And, if the answer is yes, I'd advise people to go there in that route because it solves an awful lot of problems and pain later on, particularly when you're a pan-regional organization.

Managers should strive to balance short and long-term objectives.

Adrian Beggan
Director, Sales and Market Intelligence, Google

Adrian Beggan is a Director of Sales and Market Intelligence for Google Inc., based in Dublin, Ireland. In his role at Google, he leads the design, development, and implementation of the Global Sales and Market Intelligence platform.

Prior to his time at Google, Adrian was Director of EMEA Business Intelligence for Dell Inc. His seven years at Dell culminated in establishing EMEA as the global template for the marketing database and business intelligence function.

Adrian began his marketing career at Guinness Ireland Group, where he worked as a marketing analyst and implemented a national customer database for Guinness Clothing and Merchandising.

Adrian received his Bachelor of Science in management science from Trinity College Dublin and his Master of Business Administration from University College Dublin. He also attended Harvard Business School's High Potential Leadership Program and is enrolled in the Master of Science in Economics program at Trinity College Dublin.

Identify KRAs

Senior management often determines the overarching key result areas (referred to as KRAs) by which a company and unit's overall success will be measured. Units typically have from four to six areas by which they are measured. Units may also determine key result areas of their own.

Different functions are measured in different ways. Consider the following examples of some of the areas that might be measured for three different units:

KRAs for Different Units

Marketing Unit	Manufacturing Unit	Human Resources Unit
• Sales • Market penetration	• Unit volume • Cost • Efficiency • Quality	• Training • Recruitment • Compliance • Compensation/wages

• New products • Pricing • Distribution	• Process • Innovation	• Leadership

Determine measures for success

> If you can't measure it,
> you can't manage it.
> –Peter F. Drucker, strategy expert

Once the key result areas for a unit are determined, the next step is to determine how success will be measured. Based on those measures, unit objectives can be defined.

For example, for a Manufacturing unit, two key result areas and their corresponding measures and objectives might be:

Key Result Area	Measures	Objectives
Cost	Cost per unit	• By end of Year 1, cost per unit will be $79.50 • By end of Year 2, cost per unit will be $71.00
	Units per employee per year	• By end of Year 1, units per employee per year will be 15,000 • By end of Year 2, units per employee per year will be 24,000
Safety	Work time loss per year (hours)	• By end of Year 1, work time loss per year will be 25 hours • By end of Year 2, work time loss per year will be 10 hours
	Plant safety index	• By end of Year 1, plant safety index will be 94

		• By end of Year 2, plant safety index will be 96

Whatever performance measurement system your company or unit uses, you need to have a clear system for measuring progress and evaluating performance.

Activity: Measured for success

Choosing Key Result Areas (KRAs) and their corresponding measures is an important step in implementing strategy. Practice matching KRAs, objectives, and measures.

Which of the following Key Result Areas is the most appropriate business unit for marketing?

- Efficiency

  Not the best choice. Efficiency is typically a Key Result Area for a manufacturing unit..

- Market share

  Correct choice. Market share is typically a Key Result Area for a marketing unit.

- Leadership skills

  Not the best choice. Leadership is typically a Key Result Area for a human resources unit.

- Cost of raw materials

  Not the best choice. Cost of materials is typically a Key Result Area for a manufacturing unit.

Which of the following Key Result Areas is most appropriate for this objective: " By the end of year one, unit volume will be increased by 25%"?

- Efficiency

  Correct choice. Unit volume increase is an appropriate objective related to the Key Result Area efficiency.

- Market share

  Not the best choice. Unit volume increase is not an appropriate objective for the Key Result Area market share.

- Leadership skills

  Not the best choice. Unit volume is not an appropriate objective for the Key Result Area leadership skills.

- Cost of raw materials

  Not the best choice. Unit volume is not an appropriate objective for the Key Result Area cost of raw materials.

Which of the following Key Result Areas is the most appropriate for this measure for success: "Employee awareness of corporate values"?

- Efficiency

  Not the best choice. Employee awareness of corporate values is not an effective way to measure efficiency.

- Market share

  Not the best choice. Employee awareness of corporate values is not the best way to measure market share.

- Leadership skills

  Correct choice. Employee awareness of corporate values would be an effective measure for this KRA.

- Cost of raw materials

  Not the best choice. Employee awareness of corporate values is not an effective way to measure management of raw materials costs.

Write objectives

When writing objectives, make sure they are SMART—**s**pecific, **m**easurable, **a**chievable, **r**ealistic, and **t**imebound. Here are examples of SMART and Not-So-SMART objectives:

SMART vs. Not-So-SMART

SMART Objective	Not-So-SMART Objective
Add 20 new systems engineers in the next three years who are capable of handling the new advanced programming language—Year 1 add two new people, Year 2 add nine new people, Year 3 add nine new people.	Add new systems engineers who are capable of handling the new advanced programming language (not specific, measurable, or timebound).

Raise sales 10% annually over the next three years.	Improve sales over the next year (not specific or measurable).
Reduce average duration of customer service phone calls by 30% over the next two years.	Reduce average duration of customer service phone calls by 50% over the next year (not likely achievable or realistic).

Activity: Get SMART

Good objectives are SMART—specific (detailed, well-defined), measurable (quantifiable), achievable (actionable), realistic (given available resources), and timebound. Can you spot the missing attributes?

Roger's team is preparing to launch a new advertising campaign for a regional lawn care service. The service is currently used by 15% of the market. Roger has created the following objective: "Increase market share to 70% of the national market within one year." Which SMART attribute (or attributes) is missing?

- Specific

  Not the best choice. This objective does use specific numbers for goals, such as "70% of market share."

- Measurable

  Not the best choice. Roger's team will be able to measure the amount of market share the lawn care service has.

- Achievable

  Not the best choice. The correct choice was "Achievable and Realistic." Roger's company is currently a regional lawn care service. It is unlikely that they have the infrastructure necessary to become a leading national service within one year. The goal is not realistic, either. Becoming a market leader within just one year is not a realistic goal for Roger's team.

- Realistic

  Not the best choice. The correct choice was "Achievable and Realistic." Becoming a market leader within just one year is not a realistic goal for Roger's team. Neither is it achievable: Roger's company is currently a regional lawn care service. It is unlikely that they have the infrastructure necessary to become a leading national service within one year.

- Timebound

Not the best choice. Roger has given himself a one year deadline, so his objective is timebound.

- Specific and Measurable

  Not the best choice. This objective does use specific numbers for goals, such as "70% of market share." The goal is also measurable: Roger's team will be able to measure the amount of market share the lawn care service has.

- Achievable and Realistic

  Correct choice. Roger's goal is not achievable or realistic. Roger's company is currently a regional lawn care service. It is unlikely that they have the infrastructure necessary to become a leading national service within one year. Becoming a market leader within just one year is not a realistic goal for Roger's team.

Sasha would like her accounting staff to each file three accounting reports before the end of the day. She gives them the following objective: "Please file three accounting reports." Which SMART attribute is missing?

- Specific

  Not the best choice. Sasha has been specific with her objective—it says exactly what must be done.

- Measurable

  Not the best choice. Sasha will be able to measure whether or not all three reports have been filed.

- Achievable

  Not the best choice. This report is likely well within the abilities of Sasha's staff.

- Realistic

  Not the best choice. This task is within the skill set of Sasha's staff.

- Timebound

  Correct choice. Sasha's objective needs to be completed by the end of the day, so she needs to tell her employees so.

Leon's supervisor asks him to make some objectives for his sales staff. He creates the following objective: "Increase customer retention over the next quarter." Which SMART attribute (or attributes) is missing?

- Specific

  Not the best choice. The correct answer is Specific and Measurable. This objective is too vague for Leon to execute on properly. Also, there is no way for Leon to accurately measure an objective of this nature.

- Measurable

Not the best choice. The correct answer is Specific and Measurable. There is no way for Leon to accurately measure an objective of this nature. This objective is also too vague for Leon to execute on properly.

◯ Achievable

Not the best choice. This is likely an achievable goal.

◯ Realistic

Not the best choice. Leon's objective is probably a realistic one for his team.

◯ Timebound

Not the best choice. Leon has given his objective a deadline, so this is not a problem.

◯ Specific and Measurable

Correct choice. The objective is too vague for Leon to execute on properly. The objective is not measurable, either. There is no way for Leon to accurately measure an objective of this nature.

◯ Realistic and Timebound

Not the best choice. Leon's objective is probably a realistic one for his team. The objective is also timebound: Leon has given his objective a deadline, so this is not a problem.

Resource types

Strategic initiative action plans outline the resources that will be required for an initiative to be carried out. Resources include much more than just money. For example:

- People
- Technologies
- Office space
- Systems
- Support from other departments
- Vendors and strategic partners
- Time
- Training

Estimate resource needs

> Be ruthless in selecting superlative people for your future needs.
> –Meriwether Lewis, explorer, 1802

Managers often make the mistake of not taking enough time to assess and adequately estimate their resource needs. If they overlook this step or take shortcuts, they run the risk of failing to execute their action plans successfully. Questions a manager might ask when assessing resource needs:

- How will the strategic initiative impact the group's ongoing day-to-day work?
- Can the existing resources cover strategic initiative action plans in addition to business-as-usual?
- If not, what additional resources will the unit need? With what expertise and skills?
- What new skills will people need in order to carry out a strategic initiative?
- What training will be required? At what cost?
- What new systems or technology will be required to support the initiative? At what cost?

Think long-term

As you think about the resources your unit needs, remember to look beyond just what the group needs today and consider what it might need in the coming years. By forecasting skills and competencies that a group will need in the future and by hiring for "tomorrow," a unit can keep pace with the market and build a competitive advantage.

> For example, suppose your company's long-term strategy calls for leveraging an up-and-coming technology—and designing new products using that technology. You may anticipate needing team members skilled in the technology a year down the road. In this case, you might train some employees in that technology *now* to lay the foundation for handling work that will come later.

Planning ahead, thinking strategically, and leveraging current resources are key management skills in today's world of constrained resources. Your goal is to end up with the right people and skills you need —by the time you need them.

Leadership Insight: Dynamic strategy

If you pick up almost any book on strategy today, what you will find is that there is a view of strategy that talks about what I like to call the "Holy Grail" of strategy, that the goal is a long-run sustainable competitive advantage and that that's what every business should be seeking.

And you know, if you can find it, go for it. It's a great idea. And the idea is that you start at the beginning and you come up with a competitive plan and you run with it. And as time goes on, it continues to add value and it continues to create a competitive advantage.

But in practice, it's actually very unusual that that would happen, because it is essentially saying that the world has stayed the same and that you stayed the same, the competitors have stayed the same, the customers and their needs have stayed the same.

I think we need a more open view of strategy, a view that acknowledges that the world changes for good reasons or for less happy reasons — if it's something positive that's happened inside

the company, an innovation; or if it's a competitive threat that's developed outside, if it's something that's happened or changed with customers' needs.

We need to have a strategy that's alive, that's responsive to the realities of what we are meeting in the marketplace and the realities of what's going on in the company. So we need to begin to think about strategy in a dynamic way, not as something that's written up at one point in time and that something's wrong with you if you don't go on with that strategy for another 10 years.

What we really need to think about is strategy as a system of advantage that evolves and is responsive to conditions inside and outside the firm. And so it's better to think about strategy as something that is open, it's adaptive, it's not solved and settled.

You know, there is a paradox from ancient Greece that I think captures this very well. It's called the Ship of Theseus. And what happened with the Ship of Theseus is that when it came back from battle, they started replacing the planks one by one. And if one of the planks would deteriorate, they would take it out, replace it with a new one and put the old planks side by side.

And then at one point in time they built a new ship with all of the old timber from the ship. And the question, the paradox, is: Which is the real Ship of Theseus? Is it the one on the left or is it the one on the right? And the deeper question is: At what point did that boat change? When did the Ship of Theseus become something else?

And I think it's the same for a company. When is it, over time, that a strategy changes and a company's identity changes and it moves from one competitive advantage to another? And it's managing that process that is so important for the strategist.

A company's strategy and identity must change as it moves from one competitive advantage to another.

Cynthia A. Montgomery
Professor, Harvard Business School

Cynthia A. Montgomery is the Timken Professor of Business Administration and immediate past chair of the Strategy Unit at Harvard Business School, where she has been on the faculty for 20 years.

Cynthia's research centers on strategy and corporate governance. Of particular interest are issues relating to boards of directors, the creation of value across multiple lines of business, and the role leaders play in developing and implementing strategy.

Her work has appeared in top-tier managerial and academic outlets, including Harvard Business Review, the Financial Times, and American Economic Review. She is the coauthor of "Corporate Strategy: Resources and the Scope of the Firm" with David J. Collis and the editor of "Resource-Based and Evolutionary Theories of the Firm."

Prior to her time at Harvard, Cynthia taught at the Graduate School of Business at the University of Michigan and at Northwestern's Kellogg School of Management, where she was recognized with its Outstanding Teacher of the Year award.

At Harvard, she received the Greenhill Award for her contributions to the School's pedagogical mission. Her dissertation work on corporate-level strategy won the General Electric Award for Outstanding Research in Strategic Management.

Collaborate cross-functionally

Most units don't work in isolation to accomplish their objectives. They need to collaborate with others —both inside as well as outside the company. Such "interlocks" result in two different types of exchanges. Sometimes, units will need to *receive* work from other units in order to complete their action plans. Other times, units will need to *give* work to other units so that those units can implement their own action plans. Typically, several groups will need to collaborate together to carry out a strategic initiative, and the interlocks can be substantial.

> Consider this example: Your company may have a priority issue that focuses on market share with an objective of growing its market share by 30% over the next five years. This corporate priority issue and objective will likely have an impact on many (if not all) units in the company. In developing action plans, units throughout the organization may find that they need to collaborate to implement their plans. For example:

Needs Chart

If your unit is...	You might need...	For help in...
Sales	Human Resources	Designing a series of courses on effective cross-selling
Marketing	Information Technology	Building a customer database that distinguishes market segments

Product Development	Finance	Clarifying new business models

When collaboration across groups becomes extensive, companies often form cross-functional teams comprised of representatives from each of the units that have interlocking obligations.

> Using the above example, a company may decide that the objective necessitates creating a cross-functional team. In this case, the team might be led by someone from Marketing and include others from Product Development, Sales, and Information Technology. As needed, the team might pull in members from Finance and Human Resources.

When cross-functional teams are created, they typically develop a charter that outlines the roles, responsibilities, key milestones, deliverables, and decision-making processes of the group.

The challenge of intergroup coordination

Many managers find intergroup coordination incredibly challenging. Why? It requires them to assist and to obtain assistance from people over whom they have no formal authority.

Thus, when creating high-level action plans, it is important for units to discuss and negotiate interlock requirements early if they are to align all the varied resources they need to successfully carry out their plans.

To ensure accountability, it is wise for managers to document all interlock needs, expectations, and obligations—as well as any changes in the interlocks. If an interlock agreement cannot be reached, it should be identified as an area of high risk in the action plan.

Failure to agree on interlock arrangements is a source of a great conflict between groups in organizations—especially during times of tight resources. Any conflicts that arise during implementation need to be surfaced immediately in order to keep action plans for strategic initiatives on course.

Activity: Don't let interlocks puzzle you

Cross-unit collaboration raises special challenges. Practice your skill at surmounting those challenges.

While developing high-level action plans for his unit, John realized that some of his employees would need to collaborate extensively with people from many other functions to carry out the plans. Before finalizing the plans, he talked with managers in those other functions about their mutual obligations. Yet several weeks into the collaboration process, the work was behind schedule. Which of the following mistakes did John make in managing these interlocks?

- ◯ He didn't negotiate interlocks early enough.

  Not the best choice. Failing to negotiate interlocks early enough is not a mistake that John made. He discussed interlocks before finalizing his high-level action plans—exactly when he should have.

- He failed to suggest formation of a cross-functional team.

  Not the best choice. Failing to form a cross-functional team *is* a mistake that John made. When collaboration across groups must be extensive, it's best to form a cross-functional team comprising representatives from the units that have interlocking obligations. The lack of a cross-functional team to provide coordination may have put the work behind schedule.

  John made the additional mistake of forgetting to document all interlock expectations and obligations.

- He forgot to document all interlock expectations and obligations.

  Not the best choice. Forgetting to document interlock expectations and obligations *is* a mistake that John made. Though he discussed mutual obligations with other managers, he never recorded them. Thus confusion over who was responsible for giving what work to whom may have put the work behind schedule.

  John made the additional mistake of failing to suggest forming a cross-functional team.

- He didn't negotiate interlocks early enough and he forgot to document all interlock expectations and obligations.

  Not the best choice. Failing to negotiate interlocks early enough is not a mistake that John made. He discussed interlocks before finalizing his high-level action plans—exactly when he should have.

  Meanwhile, forgetting to document interlock expectations and obligations *is* a mistake that John made. Though he discussed mutual obligations with other managers, he never recorded them. Thus confusion over who was responsible for giving what work to whom may have put the work behind schedule.

- He failed to suggest formation of a cross-functional team and he forgot to document all interlock expectations and obligations.

  Correct choice. Failing to form a cross-functional team *is* a mistake that John made. When collaboration across groups must be extensive, it's best to form a cross-functional team comprising representatives from the units that have interlocking obligations. The lack of a cross-functional team to provide coordination may have put the work behind schedule.

  John also made the mistake of forgetting to document interlock expectations and obligations. Though he discussed mutual obligations with other managers, he never recorded them. Thus confusion over who was responsible for giving what work to whom may have put the work behind schedule.

Key Idea: Review progress

Key Idea

Strategic alignment across a company is achieved through the planning process—by delegating priority issues, approving strategic initiative action plans, and allocating resources. To ensure that an organization's strategy remains aligned and on course, a company and the units need to constantly review and assess progress.

Managers can track progress, and thus ensure alignment, by checking in informally with employees, asking groups to report regularly on action plans, and conducting quarterly reviews.

- **Check in informally**: Managers need to stay close to the implementation action and proactively uncover any issues or hurdles by asking questions such as: Are people getting the resources they need? What is blocking progress? Are they getting timely responses to any issues raised?
- **Report regularly**: Weekly or monthly reporting on the status of action plans is another mechanism for tracking progress and ensuring alignment. Computer programs can be used efficiently for this—giving everyone access to the information and making progress visible to all.
- **Conduct quarterly reviews**: Quarterly reviews are an important tool for assessing progress and checking alignment. Typically units or teams submit one- to two-page reports to senior management for each of the action plans they are implementing. These reports address the following points:

    1. What the unit has accomplished
    2. What the unit hasn't accomplished that it said it would
    3. Key issues or problems that need resolution
    4. Decisions or resources the unit needs from senior management
    5. Performance to objectives, when relevant

How can your action plans stay on track? Continuously monitor and assess your progress.

Understand misalignment

Even the most carefully thought-out action plans can fall victim to misalignment or become derailed. Whatever the cause, misalignment and derailment are key issues that need to be aired and addressed during quarterly reviews.

Misalignment and derailment can happen for various reasons:

- **Plans are expanded**: During execution of action plans, a project may increase in scope.

    For example, a product development group might decide to add features to a new product or to develop additional add-on products. Spending time on additional features and products then cuts into the resources intended to carry out the original plan.

- **Plans are trimmed**: Conversely, during execution of action plans, a project may be cut back. This might be done in order to reduce costs or speed up implementation. While such measures might save money and time, they may also cause an action plan to fall short of achieving its original objectives.
- **Resources are inadequate**: Because of day-to-day responsibilities, people may not be given adequate time to work on strategic initiatives. This may be a result of inaccurate resource

estimates, an increase in project scope, or competing priorities. Or everyone takes on too much, and resources are strained.

- **Interlocks change**: A group that your unit depends on for a deliverable or collaboration may alter its own plans and therefore not be able to fulfill its obligations to your unit. In many cases this occurs because another group's manager has failed to free up necessary resources. Sometimes interlocks are forgotten, or no one has informed another group in advance that its help will be needed. The cascading effect may make it difficult for your unit to meet its commitments and objectives.
- **Work processes change**: The way a task is being handled isn't generating the desired results, so your unit needs to change a work process. This change may require additional funding and time that wasn't budgeted in the original plan.
- **Original estimates are inaccurate**: Your unit's original estimates for the time, effort, and costs involved in carrying out an initiative turn out to be different from the realities. Estimates often turn out to be *lower* than the actual costs.
- **Politics interfere with progress**: A project may run into "political blockage"—people who didn't buy into a priority issue fail to be responsive, causing delays and complications.

Activity: Don't get derailed by misalignment!

Even the best plans can be ruined by misalignment. Listen to Jackie's progress report and identify situations where misalignment could occur.

Jackie's report:

This quarter my team managed the initial rollout of our new printing system.

We successfully delivered the Printotron 3000 to the sixteen clients that placed preorders.

We did meet some challenges developing and installing the updated software. Unexpected staffing shortages in the technology department meant that we had to trim some of our new software features, such as the express collating option. Additionally, some of these features took longer to develop than we initially estimated—it took six weeks for our software team to fully implement the network interface.

We are still planning on releasing these features in the next quarter, but they were not ready for launch. Fortunately, everyone on the executive team worked hard to make sure that these difficulties were dealt with quickly, and we are back on track for the next round of installations and software updates.

If our marketing group is able to properly integrate the new sales method into their workflow, we should be able to meet our targets for the next quarter.

You've listened to Jackie's progress report. Misalignment may occur in all of the following situations except which?

- Reduced plans

  Not the best choice. Jackie's department had to reduce the feature set for the product launch. Depending on the initial goals of Jackie's action plan, this could result in certain objectives not being met.

- Changing interlocks

Not the best choice. Jackie mentions technology department staffing shortages in her report. This had a cascading effect on the product launch – certain features were not implemented because of this shortage.

- Inadequate resources

Not the best choice. The staffing shortage and time constraints represent resource problems that ultimately led to a reduced feature set.

- New work processes

Not the best choice. The new sales method is a process change that could have unforeseen consequences.

- Inaccurate initial estimates

Not the best choice. Jackie's team did not correctly estimate the length of time required for development of the network interface. This meant that team members needed to spend more time on that part of the project, and that could affect the success of the entire plan.

- Expanded plans and politics

Correct choice. Jackie's progress report does not mention an increase in scope. Nor are organizational politics currently a problem for Jackie's project—note that she mentions how helpful the executive team has been.

Anticipate misalignment

Whatever the cause, some degree of misalignment is virtually unavoidable. After all, it's impossible to foresee with absolute certainty what resources every aspect of a project will require. Often, only by putting a plan into action can the requirements be determined. And when valuable new information is received, managers need to be able to learn from it. For that reason, many managers build flexibility into their plans to allow for some surprises.

This isn't to say that misalignment can't become a serious problem. If managers ignore it completely or don't build in contingency arrangements, plans can be pushed in an inappropriate direction. Result? The plan no longer supports the company's strategy.

Identify responsibilities

Once senior management has approved units' high-level action plans and allocated the required resources, units are ready to begin executing their strategic initiatives. The first step is to establish accountability for the different tasks broadly outlined in the plan. Managers need to determine who will be responsible for the overall effort and, in turn, who will "own," or be responsible for, each of the different steps.

> For example, suppose your unit has a priority issue that focuses on innovation and has created an objective of developing five new products over the next three years. The action plan for this priority issue will contain the four or five critical steps required to achieve that objective and, hence, that priority issue. The steps might look something like this (simplified for purposes of illustration):

Year 1		
What	**Who**	**When**
Conduct market research to assess customer needs	Marketing team	January 2010
Synthesize market research, create report	Outside consulting	March 2010
Determine areas for prototype development	Marketing and Product Development teams	April 2010
Design prototype	Product Development team	May 2010

Conduct usability testing	Product Development and Marketing teams	July 2010

Your unit will need to determine *which people* within Marketing or Product Development will be responsible for these specific tasks. The people to whom tasks in an action plan are delegated become the "owners" of those items.

If cross-functional teams have been created to carry out action plans, they too will need to determine what their charter is, who will lead their effort, and how they will make decisions.

Get input from others

Establishing accountability can be challenging. How can a manager make sure all bases are covered? It's important to get input from owners of action plan tasks. Often, the people who are "closest to the action" can be particularly aware of the major and minor logistical concerns that a task may involve.

Consider getting input from people with varying levels of experience. Team members who have never handled a certain kind of project or task before may bring a helpful "beginner's mind" to the process—generating questions that a more seasoned person may not have considered. At the same time, an experienced employee may be able to offer additional valuable insights based on lessons learned from previous projects he or she has handled.

Make judgment calls

Like many other managerial responsibilities, establishing accountability can involve complex judgment calls. Though this process may, on the surface, seem straightforward, managers need to clarify how much autonomy people and teams will have in carrying out their responsibilities. For example:

- Do individuals need to consult others before making a decision?
- If so, for what types of decisions and who needs to be consulted?
- Is it important to arrive at consensus among team members before a decision is made?

Often, the answers to such questions will depend on a manager's assessment of various team members' capabilities and preferences. For instance:

- Some individuals may feel more confident in their decisions if they can check out their thinking with other team members before making a choice.
- Other team members might be interested in (and may have experience with) handling decisions by themselves.
- Still other individuals may have relatively little experience with "owning" decisions but lots of potential to excel in this area. Managers may want to give them the opportunity to make some lower-risk decisions themselves, without formal approval, to gain more practice.

Key Idea: Develop a "strategic mindset"

Key Idea

To help a group excel at implementing strategic initiatives, cultivate a "strategic mindset"—the shared belief that strategy is everyone's job. This means thinking strategically about the long term and requires a specific culture—a set of shared values and accepted behaviors. Managers need to instill the right values for a strategic mindset.

- They must communicate why the company's strategy is necessary. (Is it because of stiffening competition? Radical new technologies?)
- Managers must also explain how the initiatives that are being carried out support the corporate strategy. (Will they boost revenues? Enable the organization to enter new markets?)
- Managers should outline what will happen if the group *succeeds* in implementing its plans. (Will the team win recognition and possible financial reward?)
- What will happen if the group *fails* to implement its plans? (Will the company lose its competitive edge? Will some team members lose their jobs?)
- Finally, managers must make clear what attitudes and behaviors are expected from each person on the team. (A willingness to work overtime, if necessary? To ask for help when needed?)

By regularly receiving such information, a group is more likely to adopt the shared belief that strategy truly is *everyone's* job.

Strategies won't work unless everyone gets involved. How can you foster an environment where every person can work toward the common goal?

Consider your culture

A group's culture influences what team members consider most important, how they resolve conflicts, and how they interact with each other. It also impacts their choices about what they want or don't want to work on and the quality of their work.

> For example, a commonly held value such as "customer orientation" can guide employees in many different situations to do the right thing that supports the company strategy—without the need for supervision.

All organizations have a culture—whether they've consciously cultivated it or not. And many organizations, especially larger ones, embark on culture-change programs in tandem with strategic change. So whether or not a unit has an established culture to guide it, managers need to instill the right values for a strategic mindset.

Foster leadership

The best managers develop leadership abilities in their direct reports. That means identifying individuals who excel at any of the various capacities required by a unit—and putting these "stars" in key positions where they can advance the unit's goals.

Team members must be carefully chosen and exhibit qualities such as:

- Integrity
- Visionary thinking
- Analytical and conceptual thinking
- Functional expertise
- Effective decision-making, interpersonal, and communication skills
- Drive and initiative
- Commitment to successful execution

Identify resistance

Like any form of change, strategic change is difficult, even painful, for many people. Thus, most managers encounter resistance from some direct reports when implementing a new initiative. Resistance might take many forms:

- Outright defiance
- Apparent agreement to do something but failure to follow through
- An emotional attachment to the way things were previously done
- Diminishing commitment to the job

Whether these behaviors stem from ill intent or simply fear of the unknown, resistance to strategic initiatives can seriously impede a unit's progress. Resisters not only threaten to slow efforts, they can also cost an organization a lot of money—and possibly even market share—by hampering strategic change.

Address resistance

A unit can't do its part to support corporate strategy unless everyone shares an enthusiasm for the strategic initiatives. How should resisters be dealt with? If an individual shows signs of resisting strategic change, yet has valuable talents that a manager wants to retain, consider these options:

- **Information**: Give the person plenty of information about market forces that require the company to change, how the company intends to deal with those forces, and what the corporate strategy and initiatives mean for that individual.
- **Involvement**: Invite the person to participate as much as possible in planning and implementing, so he or she has a personal investment in the strategy and initiatives.
- **Coaching**: Identify reasons behind the resistance (fear of change? lack of information?) to see whether they can be overcome or corrected.
- **Performance improvement plan**: If necessary, with the help of Human Resources, develop a formal performance improvement plan whereby the individual is evaluated periodically against a set of defined objectives.

With resisters who can't be salvaged, managers have little choice but to separate them from the unit as quickly as possible—otherwise, the unit might not perform well. Consider moving those people elsewhere—to areas in the organization where they may feel less resistant to change and therefore still be able to make a genuine contribution. If all else fails, consider dismissing them.

Train people for the future

Ongoing training is essential for enabling a unit to excel. Identify any new skills individuals will need in order to carry out new initiatives—such as using new analytic and decision-making tools, giving presentations, managing projects, and communicating with customers. Decide how and when training will be provided.

Also consider training programs that deal specifically with strategic planning, project management, and change. Courses on topics such as "where strategy comes from," "how to interpret market forces," and "why change is important" can help individuals grasp the "bigger picture" and better understand their role in it.

A major strategic initiative provides an opportunity for everybody to develop management skills and to be a visible success within the company.

What is evaluated?

With a strategic initiative well under way, one final process remains: evaluating a unit's performance and rewarding successful results. It is through this process that managers reinforce desired behaviors and attitudes—increasing the likelihood that a unit will perform even better in the future.

Evaluating performance entails measuring how a unit has performed on its overall objectives, as well as how individuals have performed on their objectives.

Quantitative criteria

Most units have from four to six key result areas (called KRAs) by which their success is typically measured. Different functions have different types of criteria.

> For example, a marketing group's performance might be measured by sales, market penetration, and distribution, while a manufacturing unit's performance might be measured by unit volume, cost, and quality.

Objectives that focus on revenue, cost of goods, market share, and so forth are quantifiable and measurable. For example, a unit might have an objective of increasing revenue by 10% annually over the next three years. At the end of Year 1, the unit will review the revenue numbers and confirm whether revenue did in fact increase by 10% that year.

Qualitative criteria

Other criteria by which units and individuals are judged are less quantifiable and more qualitative, but just as important:

- **Going the extra mile**: To what extent is the unit *exceeding* expectations in accomplishment of strategic initiatives?
- **Creativity**: Are individuals devising fresh and creative ways to accomplish the job—ways that could be used elsewhere in the organization?
- **Teamwork**: How well is the unit working together as a team—collaborating with one another, resolving conflicts, and sharing what they've learned?
- **Presentation skills**: How skilled are team members in getting ideas across quickly to decision makers and leading from discussions to action?
- **Planning**: How well does the unit plan ahead and stay informed about what's coming—whether the news is good or bad?
- **Knowledge and learning**: How deeply do team members understand the company's business, their own role in supporting the corporate strategy, and the details of the action plans they're responsible for? How enthusiastically do they embrace learning new skills?
- **Attitudes and values**: Are team members aligned with the desired future culture?

How are results rewarded?

The question of how to reward and compensate people for good performance is a big subject, and different companies handle it in different ways.

> For instance, in some organizations, managers have extensive control over salaries, bonuses, stock options, and other forms of financial reward that may be offered to their direct reports. In other companies, top management determines the compensation system for the entire company, and managers have less say over how they reward their direct reports financially.

Often reward and financial compensation systems are based on individual or group performance as measured by various specific criteria. Whatever reward system your company uses to reinforce excellence in strategy implementation, it's important that employees understand how the system works. Specifically:

- What exactly is expected of them, and what exactly will they receive if they perform well?
- Is the reward system permanent, or will it be modified or discontinued once strategic initiatives are fully implemented?
- Will everyone be eligible for rewards?

  > For example, if the reward system features bonuses for sales of a new product, how will the product development people be rewarded for their contribution to the successful product?

Reward types

Of course, most people value some form of financial reward for their work. Managers should find equitable ways to dole out pay raises, bonuses, stock options, and so forth to deserving individuals. But keep in mind that many people look for other kinds of reward from their work as well—which is helpful if financial rewards are limited.

For example, people may value the following nonfinancial rewards:

- **Recognition**: earning praise from peers and superiors, providing opportunities for individuals to show off an accomplishment or talk about a creative approach
- **Intellectual challenge**: working on mentally demanding projects
- **Power and influence**: making important decisions
- **Affiliation**: working with colleagues who share similar skills and interests
- **Managing people**: directing other people's efforts
- **Positioning**: gaining access to experience and contacts that will open doors to subsequent career moves
- **Lifestyle**: having the time to pursue other important interests in life (through such perks as flexible work schedules, workshare arrangements, and ample personal days)
- **Autonomy**: working with little supervision
- **Variety**: working on a mix of different projects

By combining financial and nonfinancial rewards—and tailoring them to individuals' unique preferences—units foster an environment *and* culture that strives for excellence again and again.

Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

Scenario: Part 1

Part 1

Jenna manages a Marketing group at Tunes, a wholesaler that distributes music CDs to retail stores. Top executives at Tunes recognize the need to address troubling industry trends. Specifically, many people have begun buying and downloading music off the Web instead of buying CDs in retail stores. Retail stores have begun questioning how much value "expensive middleman" distributors, such as Tunes, really add. And Tunes recognizes it is vital that it help the retail stores—their customers—remain viable. Senior management has defined an overarching strategic objective: "Add more value for our retail store customers by helping them attract more CD consumers."

Jenna and her fellow managers face a challenging mandate: to take part in the strategic planning process and help identify the top priority issues the company must address to achieve its strategic objectives. Jenna wonders how to begin.

What should Jenna do first to contribute to the planning process?

- Meet with her peers in the Sales and Customer Service groups to discuss ways they can work together to support the corporate strategy

  Not the best choice.

  Jenna will eventually need to discuss "interlocking" dependencies with peer managers—but as a first step, Jenna needs to analyze trends and assess her company and group's strengths, weaknesses, opportunities, and threats. By analyzing trends (external and internal) and then assessing strengths, weaknesses, opportunities, and threats (i.e., conducting a SWOT analysis), a group gathers a wealth of information. Through these efforts and discussions, some priority issues begin to emerge—those key areas where the company must focus its efforts over the long term in order to remain competitive.

- Analyze long-term trends and assess her company and group's current and envisioned strengths, weaknesses, opportunities, and threats

  Correct choice.

  By analyzing trends (external and internal) and then assessing strengths, weaknesses, opportunities, and threats (i.e., conducting a SWOT analysis), a group gathers a wealth of information. Through these efforts and discussions, some priority issues begin to emerge—those key areas where the company must focus its efforts over the long term in order to remain competitive.

- Define a set of metrics that will enable her group to measure its progress toward achievement of the company's strategic objectives

  Not the best choice.

  Jenna's team will eventually need to define a set of metrics to measure progress—but as a first step, Jenna needs to analyze trends and assess her company and group's strengths, weaknesses, opportunities, and threats. By analyzing trends (external and internal) and then assessing strengths, weaknesses, opportunities, and threats (i.e., conducting a SWOT analysis), a group gathers a wealth of information. Through these efforts and discussions, some priority issues begin to emerge—those key areas where the company must focus its efforts over the long term in order to remain competitive.

Scenario: Part 2

Part 2

After analyzing trends, Jenna's group conducts a SWOT analysis. They recognize that their group generates creative and award-winning promotional campaigns and has strong collaborative skills (strengths). However, they know little about the consumers who buy from Tunes' retail-store customers (weakness). They note that a major retail-store customer has started advertising CDs in Sunday newspapers—which could be turned into an even stronger promotional campaign (opportunity). And they see that a competitor has begun lowering its CD prices (threat).

Jenna's team begins to narrow in on two key priority issues for their group: the need to better understand the consumers who buy from their retail-store customers and an opportunity to help retail stores develop better promotional material.

With input from the groups, senior management decides their top priority issues are pricing and marketing. Specifically, they are interested in decreasing the cost of CDs and helping their retail-store customers with promotions. The groups are asked to develop action plans for these strategic initiatives.

Jenna's group develops two high-level action plans for (1) conducting market research on consumers who buy from the retail stores and for (2) developing strong promotional campaigns for the stores. As the team develops their market research action plan, they recognize that they will need help from Information Technology (IT) to build a database to collect their retail-store customer and consumer data. Jenna knows that IT is overloaded with ongoing requests from other groups.

What should Jenna do to secure IT resources?

- Build any requirements from IT into the market research action plan

  Correct choice.

  An important part of a high-level action plan is defining any dependencies on and resources needed from other groups—sometimes called "interlocks." Part of the planning process is establishing up front how groups will need to work together to achieve their strategic objectives. Senior management needs to allocate the available resources across strategic initiatives. Establishing interlocking dependencies and planning for them is a vital step in the planning process.

- Warn IT ahead of time that Marketing will need IT services at a specific date

  Good choice.

  It's always wise to warn IT in advance of a need for its services. Ideally, however, Jenna needs do more than that. She also needs to define the need for IT services within her action plan—and then get approval from upper management for those resources.

An important part of a high-level action plan is defining any dependencies on and resources needed from other groups—sometimes called "interlocks." Part of the planning process is establishing up front how groups will need to work together to achieve their strategic objectives. Senior management needs to allocate the available resources across strategic initiatives. Establishing interlocking dependencies and planning for them is a vital step in the planning process.

- Speak to the IT manager about how Marketing might help IT in return for their services

  Not the best choice.

  While it's always good to collaborate with and be willing to offer help to those from whom you need services, Jenna needs to do more than that. She needs to define the need for IT services within her action plan—and then get approval from upper management for those resources.

  An important part of a high-level action plan is defining any dependencies on and resources needed from other groups—sometimes called "interlocks." Part of the planning process is establishing up front how groups will need to work together to achieve their strategic objectives. Senior management needs to allocate the available resources across strategic initiatives. Establishing interlocking dependencies and planning for them is a vital step in the planning process.

Scenario: Part 3

Part 3

Jenna clarifies the "interlocks" within the action plans, and senior management approves the plans. Jenna and her group then develop more detailed action plans, assigning tasks and accountability.

Once the group launches the promotional campaign, they recommend including some new tasks that, in their view, would further support the corporate strategy. For example, a creative member of the group comes up with some ideas about a promotional program that might offer a prize of customized CDs.

Jenna appreciates her team's enthusiasm and doesn't want to curb their creative thinking, but she's somewhat worried that the changes might push the original plan off track.

What should Jenna do about the new ideas suggested by her team?

- Clearly define all the ramifications of each idea (in terms of cost, resources, impact on schedule, etc.) and evaluate how strongly the ideas support the corporate strategy

  Correct choice.

  As plans are refined and implemented, people often think of new ideas or want to make changes. You can't prevent all additions or changes—and you wouldn't want to, especially if new information suggests that changes *should* be made. However, any changes must be carefully managed—otherwise you run the risk of a plan that expands beyond your group's available capacity, or that becomes misaligned and no longer supports the company's strategy. It's important to consider the strategic merits of each idea and its possible impact on cost, schedule, and other aspects of your plan.

- Thank her team members for their enthusiasm and creativity but emphasize the importance of sticking to the original plan to control costs and schedule

  Not the best choice.

  You shouldn't close off all changes to your original plan. Some ideas might turn out to be valuable—if they support the corporate strategy and if your group has the resources and skills to carry out the ideas effectively.

  As plans are refined and implemented, people often think of new ideas or want to make changes. You can't prevent all additions or changes—and you wouldn't want to, especially if new information suggests that changes *should* be made. However, any changes must be carefully managed—otherwise you run the risk of a plan that expands beyond your group's available capacity, or that becomes misaligned and no longer supports the company's strategy. It's important to consider the strategic merits of each idea and its possible impact on cost, schedule, and other aspects of your plan.

- Take advantage of the group's creative-thinking abilities and enthusiasm and identify the best ways to support the ideas offered by her team members

  Not the best choice.

  By assuming that she can incorporate every good idea into the plan, Jenna risks seeing the plan become derailed or misaligned.

  As plans are refined and implemented, people often think of new ideas or want to make changes. You can't prevent all additions or changes—and you wouldn't want to, especially if new information suggests that changes *should* be made. However, any changes must be carefully managed—otherwise you run the risk of a plan that expands beyond your group's available capacity, or that

becomes misaligned and no longer supports the company's strategy. It's important to consider the strategic merits of each idea and its possible impact on cost, schedule, and other aspects of your plan.

Scenario: Conclusion

Conclusion

To ensure that the group's plans stay on track, Jenna carefully evaluates the potential impact of any proposed changes on costs and schedule. She also assesses how well any new ideas or proposed changes support the corporate strategy.

Jenna's group worked with management to develop and then implement a sound corporate strategy. With her group, Jenna conducted a SWOT analysis to examine company and group's strengths, weaknesses, opportunities, and threats. The group then identified possible priority issues. To flesh out plans for addressing the approved priority issues, the group developed high-level action plans, including any "interlocks." Finally, Jenna carefully monitored any proposed changes to the plans, remaining flexible enough to incorporate changes, but ensuring that implementation continued to support the company's long-term strategic objectives.

Activity: Check Your Knowledge: Question 1

What is a corporate strategy?

- A plan for clarifying who a company's customers are and what they value

  Not the best choice.

  A company's strategy involves more than just clarification about customers and what they value. A company's strategy consists of a plan for where the company wants to go and how it intends to get there. Managers formulate strategy by asking fundamental questions such as: Who are our customers and what do they value? What products or services should we offer them? How will our customers and competitors change over time? How can we better position our company in our industry, given business trends? How can we distinguish ourselves from rivals to remain competitive despite changes in our playing field?

- A plan describing where a company wants to be and how it intends to get there

  Correct choice.

  A company's strategy consists of a plan for where it wants to go and how it intends to get there. Managers formulate strategy by asking fundamental questions such as: Who are our customers and what do they value? What products or services should we offer them? How will our customers and competitors change over time? How can we better position our company in

our industry, given business trends? How can we distinguish ourselves from rivals to remain competitive despite changes in our playing field?

- A plan spelling out your company's operational objectives for the next 12 months

  Not the best choice.

  A company's strategy involves more than just clarification about short-term operational objectives. A company's strategy consists of a plan for where the company wants to go and how it intends to get there. Managers formulate strategy by asking fundamental questions such as: Who are our customers and what do they value? What products or services should we offer them? How will our customers and competitors change over time? How can we better position our company in our industry, given business trends? How can we distinguish ourselves from rivals to remain competitive despite changes in our playing field?

Check Your Knowledge: Question 2

Which of the following best describes the components of a strategic plan?

- Direction statement, priority issues, strategic objectives, and action plans

  Correct choice.

  A direction statement lays out the company's mission (its purpose), vision (deeply desired future), business definition (offerings, customers, markets), competitive advantages, core competencies, and values. Examples of priority issues might include "customer loyalty" or "service." Each priority issue may have several corresponding high-level strategic objectives—for example, "To increase customer loyalty, we need to boost repeat orders 20% and develop a loyalty program by year-end." A single priority issue many spawn two or three different action plans—critical steps that must be taken to accomplish the priority issue at the unit level.

- Mission statement, the company's annual report, and analysis of industry trends

  Not the best choice.

  Though these materials are useful, they're not typically components of a strategic plan. A corporate strategic plan actually consists of a direction statement, priority issues, strategic objectives, and corresponding action plans. The direction statement lays out the company's mission (its purpose), vision (deeply desired future), business definition (offerings, customers, markets), competitive advantages, core competencies, and values. Examples of priority issues might include "customer loyalty" or "service." Each priority issue may have several corresponding high-level strategic objectives—for example, "To increase customer loyalty, we need to boost repeat orders 20% and develop a loyalty program by year-end." A single priority issue many spawn two or three different action plans—critical steps that must be taken to accomplish the priority issue at the unit level.

- Vision statement, market position, and published statements to shareholders

  Not the best choice.

Though these materials are useful, they're not typically components of a strategic plan. A corporate strategic plan actually consists of a direction statement, priority issues, strategic objectives, and corresponding action plans. The direction statement lays out the company's mission (its purpose), vision (deeply desired future), business definition (offerings, customers, markets), competitive advantages, core competencies, and values. Examples of priority issues might include "customer loyalty" or "service." Each priority issue may have several corresponding high-level strategic objectives—for example, "To increase customer loyalty, we need to boost repeat orders 20% and develop a loyalty program by year-end." A single priority issue many spawn two or three different action plans—critical steps that must be taken to accomplish the priority issue at the unit level.

Check Your Knowledge: Question 3

Which of the following is not a key component of an action plan?

- Required interlocks, or collaborations, among different departments

  Not the best choice.

  Interlocks *are* components of an action plan, as are metrics that measure the progress toward each objective. Although managers should design a system for evaluating and rewarding successful implementation, decisions about how to evaluate and reward performance are part of executing strategy, not components of an action plan.

- Metrics for measuring progress toward each objective

  Not the best choice.

  Metrics that measure the progress toward each objective *are* components of an action plan, as are interlocks, or collaborations, among different departments. Although managers should design a system for evaluating and rewarding successful implementation, decisions about how to evaluate and reward performance are part of executing strategy, not components of an action plan.

- The rewards that will come with successful implementation of the plan

  Correct choice.

  Interlocks and metrics *are* components of an action plan. Rewards for successful implementation of the plan are *not*, although managers should design a system for evaluating and rewarding successful implementation. Decisions about how to evaluate and reward performance are part of executing strategy, not components of an action plan.

Check Your Knowledge: Question 4

If senior management has not delegated priority issues to your unit, how might you best identify your unit's priority issues?

- Brainstorm possible issues, then evaluate whether they are realistic in light of your unit's available resources

  Not the best choice.

  Managers generally think about resources *after* defining priority issues. To lay the groundwork for identifying issues, managers should first analyze external and internal factors and then assess their unit's strengths, weaknesses, opportunities, and threats. By conducting a "SWOT" analysis, managers can identify priority issues that support the corporate strategy, play to their teams' strengths, and enable their groups to leverage important new opportunities and avert threats. Strengths and weaknesses stem from a group's *internal* characteristics. For instance, a team may excel at solving problems quickly but may be less skilled at forging positive, long-term relationships with customers. Opportunities and threats generally come from *outside* a company. For example, a key supplier is offering steeper discounts (an opportunity) or raising prices drastically (a threat).

- Analyze external and internal factors and then assess your unit's strengths, weaknesses, opportunities, and threats

  Correct choice.

  By analyzing external and internal factors and then assessing your unit's strengths, weaknesses, opportunities, and threats (a SWOT analysis), you can identify priority issues that support the corporate strategy, play to your team's strengths, and enable your group to leverage important new opportunities and avert threats. Strengths and weaknesses stem from a group's *internal* characteristics. For instance, a team may excel at solving problems quickly but may be less skilled at forging positive, long-term relationships with customers. Opportunities and threats generally come from *outside* a company. For example, a key supplier is offering steeper discounts (an opportunity) or raising prices drastically (a threat).

- Find out which interdepartmental collaborations might be necessary for your unit to support the corporate strategy

  Not the best choice.

  Managers generally think about interdepartmental collaborations *after* defining priority issues. To lay the groundwork for identifying issues, managers should first analyze external and internal factors and then assess their unit's strengths, weaknesses, opportunities, and threats. By conducting a "SWOT" analysis, managers can identify priority issues that support the corporate strategy, play to their teams' strengths, and enable their groups to leverage important new opportunities and avert threats. Strengths and weaknesses stem from a group's *internal* characteristics. For instance, a team may excel at solving problems quickly but may be less skilled at forging positive, long-term relationships with customers. Opportunities and threats generally come from *outside* a company. For example, a key supplier is offering steeper discounts (an opportunity) or raising prices drastically (a threat).

Check Your Knowledge: Question 5

Which of the following is the best example of a well-phrased strategic objective?

- "Have team members complete customer-service training"

  Not the best choice.

  This objective is not phrased in a way that meets the "SMART" criteria: specific, measurable, achievable, realistic, and timebound. The objective is not specific or timebound. Objectives that are phrased in ways that don't meet all five criteria are often vague or unrealistic, making them difficult for employees to understand and carry out. When you phrase objectives in SMART ways, you make it easier to translate the objectives into metrics for evaluating progress. For example, the goal "Raise sales 10% annually over the next three years" could be translated into the metric "% increase in sales per year over the specified time period."

- "Raise sales 10% annually over the next three years"

  Correct choice.

  This objective is phrased in a way that meets the "SMART" criteria: It's specific, measurable, achievable, realistic, and timebound. Objectives that are phrased in ways that don't meet these criteria are often vague or unrealistic, making them difficult for employees to understand and carry out. When you phrase objectives in SMART ways, you make it easier to translate the objectives into metrics for evaluating progress. For example, the goal "Raise sales 10% annually over the next three years" could be translated into the metric "% increase in sales per year over the specified time period."

- "Provide better customer service than all our rivals"

  Not the best choice.

  This objective is not phrased in a way that meets the "SMART" criteria: specific, measurable, achievable, realistic, and timebound. The objective is not specific, measurable, or timebound—and it may not be realistic or achievable. Objectives that are phrased in ways that don't meet these criteria are often difficult for employees to understand and carry out. When you phrase objectives in SMART ways, you make it easier to translate the objectives into metrics for evaluating progress. For example, the goal "Raise sales 10% annually over the next three years" could be translated into the metric "% increase in sales per year over the specified time period."

Check Your Knowledge: Question 6

Your unit's action plans have just received approval from senior management. What is the best way to ensure that your action plans remain aligned with your company's strategy in the upcoming months?

- Provide senior management monthly five- to six-page reports detailing what your unit has accomplished during the month and as well as performance reviews for each team member

  Not the best choice.

  Monthly reports of five to six pages would be too time-consuming for busy senior managers. Instead, you should use quarterly one- to two-page reviews to assess progress and check alignment. Submit short quarterly reviews for each of the action plans your unit is working on. These reports should address what the unit has accomplished, what it hasn't accomplished that

it said it would, which key issues or problems need resolution, which decisions or resources the unit needs from senior management, and what the performance objectives are, if relevant.

- Provide senior management quarterly one- to two-page reviews that include what your unit has and has not accomplished during the past three months, as well as any key issues or problems that need resolution

  Correct choice.

  Quarterly reviews are an efficient tool for assessing progress and checking alignment. Units should submit short reports for each of the action plans they are working on. These reports should address what the unit has accomplished, what it hasn't accomplished that it said it would, which key issues or problems need resolution, which decisions or resources the unit needs from senior management, and what the performance objectives are, if relevant.

- Ask three to five members of your team to make a weekly presentation to senior management that addresses what your unit has or has not accomplished as well as any decisions that need to be made or resources that need to be allocated

  Not the best choice.

  Weekly presentations would be too time-consuming for busy senior managers. Instead, you should use quarterly one- to two-page reviews to assess progress and check alignment. Submit short quarterly reviews for each of the action plans your unit is working on. These reports should address what the unit has accomplished, what it hasn't accomplished that it said it would, which key issues or problems need resolution, which decisions or resources the unit needs from senior management, and what the performance objectives are, if relevant.

Check Your Knowledge: Question 7

Once senior management has approved your unit's action plans and allocated the required resources, what do you do next?

- Decide who will "own" the different tasks broadly defined in the plan

  Correct choice.

  Once corporate has allocated the necessary resources, your unit is ready to execute its action plans. The first step is to establish accountability for each of the tasks defined in each plan. Who will be responsible for what? Deciding exactly who should "own" each task can be challenging, but this step is critical to an effectively managed plan rollout. Since the people who are responsible for each of the tasks will be "closest to the action," they are most likely to be aware of any logistical concerns or issues that may develop as the plan is executed.

- Conduct a SWOT analysis to ensure that your action plan addresses all of the company's **s**trengths, **w**eaknesses, **o**pportunities, and **t**hreats

  Not the best choice.

  While conducting a SWOT analysis is a key element of a successful strategic plan, it should be performed well in advance of the execution phase. For example, a SWOT analysis should be

conducted before drafting your unit's priority issues. Once corporate has decided how it will allocate resources, you can then establish accountability for each of the tasks defined in each plan. Who will be responsible for what? Deciding exactly who should "own" each task can be challenging, but this step is critical to an effectively managed plan rollout. Since the people who are responsible for each of the tasks will be "closest to the action," they are most likely to be aware of any logistical concerns or issues that may develop as the plan is executed.

- Determine additional resources—including people, training, space, systems, and technology—necessary to carry out the action plan

  Not the best choice.

  You should identify all required resources *before* submitting an action plan. Once corporate has decided how it will allocate resources, you can then establish accountability for each of the tasks defined in each plan. Who will be responsible for what? Deciding exactly who should "own" each task can be challenging, but this step is critical to an effectively managed plan rollout. Since the people who are responsible for each of the tasks will be "closest to the action," they are most likely to be aware of any logistical concerns or issues that may develop as the plan is executed.

Check Your Knowledge: Question 8

In implementing your unit's action plans, you've observed some resistance from a valued team member. How should you address the situation?

- Separate the person from your group immediately to prevent damage to team morale—perhaps by moving the person to a position where he or she can contribute more willingly

  Not the best choice.

  Though you may eventually decide to separate the person from your group, such measures can be disruptive. Therefore, you should first provide the person with information about the strategy, encourage his or her participation in its implementation, and use coaching to help the individual move past resistance. If these measures aren't successful, then it's best to separate resistant team members from the group—perhaps by moving them to a different part of the organization where they can make a contribution more willingly. In any case, it's vital to address resistance promptly. Otherwise, it may prevent your plan from succeeding—which in turn can result in lost market share, decreased morale, and depleted company resources.

- Provide the person with information about why the company's strategy is necessary, encourage participation in articulating and implementing the strategy, and use coaching to address the resistance

  Correct choice.

  It's important to promptly address any resistance to your strategic plan. Otherwise, the plan may fail—often resulting in lost market share, decreased morale, and depleted company resources. Begin by providing information about the strategy, encouraging participation it its implementation, and using coaching to help team members whom you value (and who you believe can overcome their resistance). If these measures aren't successful, then it's best to

separate such individuals from the group—perhaps by moving them to a different part of the organization where they can make a contribution more willingly.

- Before actively addressing the situation, give the person adequate time to adapt and overcome any resistance

  Not the best choice.

  You should not passively wait for resistance to resolve itself. Instead, provide resistant team members with information about the strategy, encourage their participation in its implementation, and use coaching to help them overcome their resistance. If these measures aren't successful, then it's best to separate them from the group—perhaps by moving them to a different part of the organization where they can make a contribution more willingly. It's vital to address resistance promptly. Otherwise, it may prevent your plan from succeeding—which in turn can result in lost market share, decreased morale, and depleted company resources.

Check Your Knowledge: Question 9

You want to assess your group's implementation of a strategic initiative. In addition to evaluating the group's performance on objectively defined metrics (such as "Number of potential new customers contacted this quarter"), you know you need to consider other types of criteria as well. Which one of the following criteria would you not likely use?

- Creativity—the group's ability to devise fresh ways of accomplishing a job

  Not the best choice.

  You actually *would* likely evaluate your group's creativity. Though it's important to evaluate performance on objectively defined metrics (such as timeliness and other easy-to-measure achievements), it's just as vital to evaluate more *subjective* criteria—such as creativity, knowledge and learning, teamwork, presentation skills, and ability to plan. Performance on these "softer" criteria is difficult to assess using numbers, but these skills and attitudes play a crucial role in your team's ability to carry out your unit's action plans effectively. Without these qualities, no group can truly excel.

- Timeliness—whether the group has successfully accomplished its tasks within the time frame stated in the original plan

  Correct choice.

  If you've already evaluated objectively defined metrics, you've likely included timeliness, since it's an objective measure. In addition to objective accomplishments, managers also need to evaluate more *subjective* criteria for performance—such as creativity, knowledge and learning, teamwork, presentation skills, and ability to plan. These skills and attitudes play a crucial role in your team's ability to carry out your unit's action plans effectively. Without these qualities, no team can truly excel.

- Knowledge and learning—how deeply the team understands the company's business and their role in supporting the corporate strategy

  Not the best choice.

You actually *would* likely evaluate your group's knowledge and learning. Though it's important to evaluate performance on objectively defined metrics (such as timeliness and other easy-to-measure achievements), it's just as vital to evaluate more *subjective* criteria—including creativity, knowledge and learning, teamwork, presentation skills, and ability to plan. Performance on these "softer" criteria is difficult to assess using numbers, but these skills and attitudes play a crucial role in your team's ability to carry out your unit's action plans effectively. Without these qualities, no group can truly excel.

Check Your Knowledge: Question 10

How can you best reward your team members for successfully implementing your company's strategy?

- Emphasize the possibility of public recognition for all team members' accomplishments, including memos of praise to upper management

  Not the best choice.

  Though each company handles compensation differently, often the most effective reward systems combine financial and nonfinancial rewards and are customized to meet individuals' preferences. Different people value different types of rewards—such as bonuses, flexible schedules, public recognition, opportunities to work on challenging assignments, and a chance to collaborate with colleagues they like. By getting to know what each team member values most in terms of rewards, you can customize a reward system that will inspire your group to even greater performance.

- Combine available financial and nonfinancial rewards, and customize based on each team member's reward values

  Correct choice.

  Though each company handles compensation differently, often the most effective reward systems offer both financial *and* nonfinancial rewards and are customized to meet individuals' preferences. In addition to raises, bonuses, or stock options, many people value forms of nonfinancial reward—such as flexible schedules, public recognition, opportunities to work on challenging assignments, and a chance to collaborate with colleagues they like. By getting to know what each team member values most in terms of nonfinancial rewards, you can customize a reward system that will inspire your group to even greater performance.

- Make monetary compensation (whether it's raises, bonuses, or stock options) the centerpiece of your reward system

  Not the best choice.

  Though each company handles compensation differently, often the most effective reward systems offer both financial *and* nonfinancial rewards. In addition to raises, bonuses, or stock options, many people value forms of nonfinancial reward—such as flexible schedules, public recognition, opportunities to work on challenging assignments, and a chance to collaborate with colleagues they like. By getting to know what each team member values most in terms of nonfinancial rewards, you can customize a reward system that will inspire your group to even greater performance.

Check Your Knowledge: Results

Your score:

Steps for conducting a SWOT analysis

1. **Select an individual to facilitate the SWOT analysis.**
2. **Brainstorm a company or unit's strengths.**

   Go around the room and solicit ideas from participants. Areas of strength for a company or unit include: leadership abilities, decision-making abilities, innovation, productivity, quality, service, efficiency, technological processes, and so forth. Record all suggestions on a flip chart. Avoid duplicate entries. Make it clear that some issues may appear on more than one list. For example, a company or unit may have a strength in an area such as customer service, but may have a weakness or deficiency in that area as well. At this point, the goal is to capture as many ideas on the flip charts as possible. Evaluating the strengths will take place later.

3. **Consolidate ideas.**

   Post all flip charts pages on a wall. While every effort may have been taken to avoid duplicate entries, there will be some ideas that overlap. Consolidate duplicate points by asking the group which items can be combined under the same subject. Resist the temptation to over-consolidate—lumping lots of ideas under one subject. Often, this results in a lack of focus.

4. **Clarify ideas.**

   Go down the consolidated list item by item and clarify any items that participants have questions about. It's helpful to reiterate the meaning of each item before discussing it. Stick to defining strengths. Restrain the team from talking about solutions at this point in the process.

5. **Identify the top three strengths.**

   Sometimes the top three strengths are obvious and no vote is necessary. In that case, simply test for consensus. Otherwise, give participants a few minutes to pick their top issues individually. Allow each team member to cast three to five votes (three if the list of issues is ten items or fewer, five if it is long). Identify the top three items. If there are ties or the first vote is inconclusive, discuss the highly rated items from the first vote and vote again.

6. **Summarize strengths.**

   Once the top three strengths are decided, summarize them on a single flip chart page.

7. **Repeat Steps 2-6 for weaknesses.**

   Similar to strengths, areas of weakness for a company or unit include: leadership abilities, decision-making abilities, innovation, productivity, quality, service, efficiency, technological processes, and so forth.

8. **Repeat Steps 2-6 for opportunities.**

Areas of opportunities include: emerging markets, further market penetration, new technologies, new products or services, geographic expansion, cost reduction, and so forth.

9. **Repeat Steps 2-6 for threats.**

   Areas of threat include: entrance of a new competitor, legislation or regulations that will increase costs or eliminate a product, a declining product or market, and so forth.

Steps for determining priority issues

1. **Review the results of the SWOT analysis.**

   At the end of the SWOT analysis, you will have generated four summary lists—one each for strengths, weaknesses, opportunities, and threats. On each of these lists you will have identified the top three items for each category. Post these summary lists on a wall for everyone to review.

2. **Identify priority issues from the SWOT analysis.**

   Priority issues typically emerge from the SWOT analysis. They are strengths to be bolstered, weaknesses to be corrected, opportunities to be capitalized on, and threats to be avoided. Priority issues generally meet one or more of the following criteria: they have long-term and major positive financial impact; they address a fleeting window of opportunity.

   > For example, a developing new market or available acquisitions; they are critical in correcting any structural weaknesses.

3. **Compile priority issues.**

   Ask participants to select their top three priority issues from the SWOT summary lists, giving them sufficient time to scan the list and write down their choices. Go around the room, asking each person to name his or her highest priority issue (from the top three) without repeating issues already mentioned. Continue to solicit issues until no more are forthcoming.

4. **Elicit discussion.**

   Ensure that each proposed priority issue is clear. Discuss the reason for proposing it, the positive impact of addressing it, and the negative impact of not addressing it. Priority issues are typically broad areas that a company or unit wants to focus on.

   > Examples include: cost, profitability, innovation, and service.

   Be wary of priority issues that are too narrow. An item as narrow as "manufacturing reject rate and cost" may be of minor strategic importance. The bigger issue might be overall manufacturing cost structure.

5. **Address overlooked priority issues.**

   Sometimes priority issues are overlooked during this process. Ask participants to suggest any obvious omissions.

   > For example, a team of retailers arrived at a list of five priority issues that did not address a significant weakness of an uncompetitive cost structure. Once pointed out, this became their highest priority issue for the next several years.

6. **Vote on priority issues.**

   Ask participants to cast three votes on the list of remaining priority-issue candidates. Identify the three to five priority issues that earn the most votes. As a final step, record why participants felt these priority issues were important.

Steps for identifying objectives

1. **Define key results areas (KRAs).**

   Make sure participants understand that KRAs are areas of business activity in which a unit must excel in order to meet customer needs, beat competition, and exceed stakeholder expectations. Typical KRAs include cost, customer service, innovation, new products, quality, and so forth. Most units have between four to six KRAs.

2. **Solicit KRA ideas and associated measures.**

   Go around the room and solicit KRA ideas from participants. Record all suggestions on a flip chart. Allow only comments that seek clarification. For each proposed KRA, list measures for success.

   > For example, if a unit identifies customer satisfaction as a KRA, it might measure this by "number of complaints in a year" and "number of products returned versus ordered in a year."

3. **Through a process of voting, determine the four to six KRAs and their corresponding measures that your unit will focus on.**
4. **Create objectives.**

   For each KRA, using the measures that have been defined, draft specific long-term objectives.

   > For example, if customer satisfaction is a KRA, and "number of complaints in a year" is a measurement for success, a unit might draft an objective that states "Reduce the number of complaints by 30% in 2012."

Tips for navigating interlocks

- Determine any required cross-functional collaboration that will be needed to carry out strategic initiatives and include those "interlocking" requirements within the associated action plans.
- Get clear approval for any "interlocks" from senior management. This is part of the strategic planning process.
- When the interlocks for carrying out a strategic initiative are substantial, consider whether a formal cross-functional team needs to be formed and charged with carrying out the initiative.
- If you will need help from another group, notify that group as early as you can about your needs and set expectations up front. Involve the group in determining the specific interlocks needed and include those interlocks in your action plans. Later, as the time approaches when the agreed-upon help will be needed, remind the group about the upcoming interlocks. Be sure to give the group plenty of notice.
- If an agreement on interlocks cannot be reached, identify this as an area of high risk in your action plan. Failure to agree on interlocks is a source of potential conflict within organizations—and the reason that an initiative may become derailed.

- Document all your interlock needs, expectations, and agreements, and document any agreed-upon changes to those interlocks.

Tips for managing alignment

- Accept the fact that changes to your strategic initiatives are inevitable.
- Be clear about who has final approval of changes. Establish a checks-and-balances system by ensuring that those who *propose* changes are not those who *approve* them.
- Whenever anyone suggests a change to an action plan, ask yourself, "Does this proposed change support our corporate strategic and priority issues?" If the suggested change doesn't support the corporate strategy, consider setting the idea aside and addressing it in the future.
- Clearly define all the ramifications—for both the unit and the company in general—of accepting and implementing a change to your action plans. Consider how the change will impact your deadlines, overall costs, and team members' workloads.
- If a proposed change requires further funding, additional people, or an extension of time not included in your original action plans, determine where those extra resources will come from. You may be able to redirect existing resources within your group without causing too much disruption to the rest of your plans. Or such a change may require lobbying senior management for additional resources.
- Document all accepted changes. These records will prove valuable in the future, when you create additional action plans to carry out your strategic initiatives.

Tips for establishing accountability

- Decide who has responsibility for carrying out the tasks in your action plans.
- In establishing accountability for tasks, consider getting input from people who have never handled certain kinds of tasks before—as well as those who have extensive experience.
- Clarify how much autonomy people will have in carrying out their responsibilities.

  For example, do you prefer people to consult with you before making a decision? Make the decision and then inform you? Obtain consensus from other team members before proceeding?

- To clarify autonomy, assess various team members' capabilities and preferences. Some people may feel more confident in their decisions if they can check out their thinking with you before making a choice. Others may have more experience with and a preference for handling decisions by themselves. Still others may have little experience with "owning" decisions but lots of potential to excel in this area. Give them opportunities to make low-risk decisions themselves, to gain practice.
- Hold regular meetings with your task owners to help them evaluate their successes and learn from their failures along the way. Discussing accomplishments and opportunities for improvement will help develop the skills of task owners.
- Ensure that the system you use for evaluating task owners is fair and equitable. Stars should be separated from nonperformers and rewarded accordingly.

Worksheet for conducting a SWOT analysis

Worksheet for Conducting a SWOT Analysis

Use a SWOT analysis to identify the strengths, weaknesses, opportunities, and threats relative to your company, unit or group, or a program you want to evaluate. The SWOT analysis lets you focus on specific areas and discover actions that can help build on strengths, minimize or eliminate weaknesses, maximize opportunities, and deal with or overcome threats.

Date of analysis: ________________

What is being analyzed: ____

Internal Analysis
List factors inherent to what is being analyzed, such as the competencies of your group.

Strengths	Ideas for building upon these strengths
Weaknesses	**Ideas for minimizing or repairing these weaknesses**

External Analysis
List factors external to what is being analyzed, such as customer needs or marketplace trends.

Opportunities	Ideas for investigating or taking advantage of these opportunities
Threats	**Ideas for minimizing or overcoming these threats**

Worksheet for developing an action plan

Worksheet for Developing an Action Plan

Use this Tool to develop an action plan for a strategic initiative that your group is implementing.

Program name:

Program manager:

Priority issue(s):

Objectives and metrics:

Resources:

Action Steps Required

Task to be done	Person responsible	Due date

Interlocks Required

Task to be done	Group/Division/Person responsible	Due date

Impact Estimate

	Year 1	Year 2	Year 3
Revenue Sales:			
Gain Profit: Cost savings: Total:			
Cost Expense: Capital addition: Working-capital changes:			
Net results Cash flow: Present value: Profitability:			
People Number: Time required: Special skills:			

Worksheet for determining objectives from key result areas

Worksheet for Determining Objectives from Key Result Areas

Use this tool to help you identify measures and objectives for each of your key result areas (KRAs).

Remember that all of your objectives should be SMART—specific, measurable, achievable, realistic, and timebound.

Key Result Area	Measures	Objectives
Example: Cost	• *Cost per unit* • *Units sold per employee per year*	• *Decrease cost per unit by 10% in 2004* • *Increase units sold by 5% per employee by 2006*

Alignment checklist

Alignment Checklist

Use this Tool to check for misalignment between your action plan for a strategic initiative and the corporate strategy.

Part 1: Sources of Misalignment

For each statement below, check "Yes" if you think the statement accurately describes implementation of your action plan. Check "No" if you think the statement doesn't accurately describe implementation of your action plan.

Statement	Yes	No
1. As you began to implement your action plan, individuals added new objectives and new steps to the plan.		
2. As you continued to implement the plan, people removed some objectives and steps to reduce costs or speed up implementation.		
3. During implementation, you realized that you had left out certain tasks and needed to add them.		
4. During implementation, the way certain tasks were handled didn't generate the desired results, and you realized you needed to change work processes.		
5. During implementation, you discovered that your original estimates for time, effort, and costs required to carry out the plan's objectives were inaccurate.		

If you checked "Yes" for any of the above statements, your plan may be off course or at risk of misalignment. However, that doesn't mean you should refuse to make any changes to your original plan. Instead, evaluate each proposed change in light of its relation to the corporate strategy and its impact on cost, schedule, team members' workloads, and so forth. Use Part 2 below to conduct this evaluation.

Part 2: Evaluating Proposed Changes

In the table below, list all the proposed changes to your action plan. For each change, fill in the potential implications.

Proposed Change	Would the change support corporate strategy?	Change's impact on cost	Change's impact on schedule	Change's impact on resources

Creating an environment for excellence checklist

Creating an Environment for Excellence Checklist

Use this tool to assess how well you create an environment that encourages excellence.

Question	Rating		
	All of the Time	Some of the Time	None of the Time
1. I involve members of my group in the strategic planning process.			
2. I explain to my group why the company's strategy is necessary and how our work supports that strategy.			
3. My group understands what will happen if it fails to implement our strategic initiatives.			
4. Members of my group understand what rewards (financial or otherwise) they will receive if they succeed in implementing our strategic initiatives.			
5. I take the time to identify any new skills people will need to carry out our action plans—and provide the necessary training.			
6. I clearly state the attitudes and behaviors I expect members of my group to exhibit.			
7. Members of my group knows exactly what they are allowed to do without consulting me—and what they must get my permission to do before acting.			
8. I identify individuals who excel in the capacities required by my group—and place them in key positions.			
9. I identify skeptics in my group, the reasons why they resist, and how any resistance can be overcome.			
10. I remove resistors whose behavior cannot be changed from my group.			

Ideas for Improvement

Based on your answers, what changes could you make to effectively cultivate an environment for excellence?

Why Develop Others?

"At the end of the day, you bet on people, not strategies."
Larry Bossidy
Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy
Professor
University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who

can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

The Virtuous Teaching Cycle
The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle were everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

"The growth and development of people is the highest calling of leadership."
- Harvey S. Firestone
Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.

To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would

often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...
- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...
- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

Dr. Noel M. Tichy
Professor, University of Michigan Ross School of Business

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit http://www.noeltichy.com.

Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

Develop high-level action plans
Creating an environment for excellence checklist
Tips for navigating interlocks

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

Discussion 1: Defining measures and objectives

At any given time, your team may be considering a range of strategic initiatives to implement. These initiatives are intended to support key result areas (overarching strategic goals) defined by your company—such as reducing costs, improving customer service, fostering innovation, developing new offerings, or improving the quality of the company's products or services.

It is through such initiatives that your company's and unit's strategies are executed. To ensure that an initiative delivers strategic value for your company, your team must define two things for the initiative: (1) measures: how the value of the initiative's outcomes will be assessed, and (2) objectives: what, exactly, those outcomes will consist of, and when they'll be produced.

Use these resources to lead a discussion with your team about how to define measures and objectives for a strategic initiative.

Download resources:

Discussion Invitation: Defining Measures and Objectives
Discussion Guide: Defining Measures and Objectives
Discussion Slides: Defining Measures and Objectives (optional)
Tips for Preparing for and Leading the Discussion

Discussion 2: Implementing a strategic initiative

How can your team members ensure that the strategic initiatives they're working on deliver their intended value? Team members need to take three important steps: (1) determine the tasks that must be carried out to implement the initiative, (2) identify who on the team will take responsibility for each task, and (3) identify any work, information, or resources the team will need from other parts of your organization to carry out the tasks they're responsible for.
By taking these steps, you and your team can be more confident that the strategic initiatives will be executed effectively—which increases the odds that initiatives will deliver real strategic value for your organization.

Use these resources to lead a discussion with your team about how to identify the tasks needed to execute a strategic initiative, assign tasks within the team, and identify cross-unit collaborations needed to carry out necessary tasks.

Download resources:

Discussion Invitation: Implementing a Strategic Initiative
Discussion Guide: Implementing a Strategic Initiative
Discussion Slides: Implementing a Strategic Initiative (optional)
Tips for Preparing for and Leading the Discussion

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members' development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

Tips for Initiating and Supporting a Learning Project
Learning Project Plan Template
Learning Project: Conduct a SWOT Analysis for a Strategic Initiative
Learning Project: Create an Action Plan for a Strategic Initiative

The Secrets to Successful Strategy Execution

Gary L. Neilson, Karla L. Martin, and Elizabeth Powers. "The Secrets to Successful Strategy Execution." *Harvard Business Review*, June 2008.

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Summary

When a company finds itself unable to execute strategy, all too often the first reaction is to redraw the organization chart or tinker with incentives. Far more effective would be to clarify decision rights and improve the flow of information both up the line of command and across the organization. Then, the right structures and motivators tend to fall into place. That conclusion is borne out by the authors' decades of experience as Booz & Company consultants and by the survey data that they have been collecting for almost five years from more than 125,000 employees of some 1,000 organizations in over 50 countries. From this data they have distilled—and ranked in order of importance—the top 17 traits exhibited by the organizations that are most effective at executing strategy. The single most common attribute of such companies is that their employees are clear about which decisions and actions they are responsible for. As a result, decisions are rarely second-guessed, and accurate competitive information quickly finds its way up the hierarchy and across organizational boundaries.

How Managers' Everyday Decisions Create—or Destroy—Your Company

Joseph L. Bower and Clark G. Gilbert. "How Managers' Everyday Decisions Create—or Destroy—Your Company's Strategy." *Harvard Business Review*, February 2007.

Download file

Summary

Senior executives have long been frustrated by the disconnection between the plans and strategies they devise and the actual behavior of the managers throughout the company. This article approaches the problem from the ground up, recognizing that every time a manager allocates resources, that decision moves the company either into or out of alignment with its announced strategy. A well-known

story—Intel's exit from the memory business—illustrates this point. When discussing what businesses Intel should be in, Andy Grove asked Gordon Moore what they would do if Intel were a company that they had just acquired. When Moore answered, "Get out of memory," they decided to do just that. It turned out, though, that Intel's revenues from memory were by this time only 4% of total sales. Intel's lower-level managers had already exited the business. What Intel hadn't done was to shut down the flow of research funding into memory (which was still eating up one-third of all research expenditures); nor had the company announced its exit to the outside world. Because divisional and operating managers—as well as customers and capital markets—have such a powerful impact on the realized strategy of the firm, senior management might consider focusing less on the company's formal strategy and more on the processes by which the company allocates resources.